

**ALLEGATIONS OF DISCRIMINATION  
AND RETALIATION AND THE CFPB  
MANAGEMENT CULTURE**

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**HEARING**  
BEFORE THE  
SUBCOMMITTEE ON OVERSIGHT  
AND INVESTIGATIONS  
OF THE  
COMMITTEE ON FINANCIAL SERVICES  
U.S. HOUSE OF REPRESENTATIVES  
ONE HUNDRED THIRTEENTH CONGRESS  
SECOND SESSION

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## **ALLEGATIONS OF DISCRIMINATION AND RETALIATION AND THE CFPB MANAGEMENT CULTURE**

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**Wednesday, July 30, 2014**

U.S. HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON OVERSIGHT  
AND INVESTIGATIONS,  
COMMITTEE ON FINANCIAL SERVICES,  
*Washington, D.C.*

The subcommittee met, pursuant to notice, at 3:30 p.m., in room 2128, Rayburn House Office Building, Hon. Patrick T. McHenry [chairman of the subcommittee] presiding.

Members present: Representatives McHenry, Fitzpatrick, Duffy, Fincher, Hultgren, Wagner, Barr, Rothfus; Green, Ellison, Maloney, Beatty, Heck, Kildee, and Horsford.

Ex officio present: Representatives Hensarling and Waters.

Chairman MCHENRY. The subcommittee will come to order.

The title of today's Oversight and Investigations Subcommittee hearing is, "Allegations of Discrimination and Retaliation and the CFPB Management Culture."

Without objection, the Chair is authorized to declare a recess of the subcommittee at any time.

The Chair now recognizes himself for 5 minutes for an opening statement.

This afternoon, our subcommittee meets to continue our investigation into allegations of discrimination and retaliation at the Consumer Financial Protection Bureau (CFPB).

Director Cordray, we appreciate your willingness to appear before us today.

In April of this year, 7 months after a Deloitte Consulting report confirmed racial disparities in the Bureau's hiring, pay, and performance review ratings, and 4 months after the Defense Investigators Group confirmed Angela Martin's claims of Bureau retaliation, Director Cordray wrote to me to request that he appear before the subcommittee to discuss these troubling issues and his responsibility for controlling CFPB managers.

Accountability is crucial to leadership, and I look forward to Director Cordray specifying actions that he has taken to reprimand and terminate managers who have wrongfully treated and retaliated against CFPB employees.

Equally important, I look forward to hearing from Mr. Cordray about how he has taken actual steps to end employee abuse at the

CFPB. People are suffering and feeling unprotected at their place of work, and we have heard from them.

Their managers have been given unequivocal free rein, resulting in a toxic management culture that lacks accountability and trust. Employees fear speaking out and they fear asserting their rights lest they suffer reprisals and retaliations. This must change. I think we all agree about that.

Mr. Cordray testifies before us here today fully furnished with the capacity and obligation to have already taken immediate action against oppressive managers and to assert his internal accountability and leadership at the Bureau. Anything less than that is an abdication of the Director's responsibility to the Bureau and its employees.

Like Director Cordray, I have heard firsthand about the unsafe culture within the Bureau. In fact, since the subcommittee opened its investigation into allegations of discrimination and retaliation at the Bureau, no fewer than 32 employees have come forward about their maltreatment.

These 32 brave leaders have come forward to do what is right to protect their colleagues who suffer, and they have stood up even in the face of retribution from their managers if they were found out. And what do you think these employees are telling us, Mr. Cordray? They are telling us that other people are being harmed, and they are being harmed. It is not disparate impact. It is about individual cases of discrimination and retaliation.

It is evident that the Bureau's problems run deeper than a manager's treatment of any one employee such as Angela Martin, Ali Naraghi, or Kevin Williams. The problems are much larger than some modifications to the performance management system. The problem is a CFPB management culture that condones intimidation, discrimination, and retaliation.

And if the Director has failed to reprimand and remove bad managers, then the problem is also his leadership or lack thereof. That is why we are having this hearing today, to give the Director the opportunity to say what he has done and how he has fulfilled his obligations.

Director Cordray, dozens of your employees are coming forward to this subcommittee because they have nowhere else to turn. At least, that is how they feel. They don't trust their EEO process. They don't get a fair shake in your union grievance process. And some of them have even approached you personally, apparently, with nothing to show for it.

For the CFPB employees watching, I would like to say this: We are listening. If you have already come forward to share your concerns, know that you are not alone. If you are unsure about whether coming forward will do any good, please know that it will.

To that end, I, along with Financial Services Committee Chairman Hensarling and Financial Institutions and Consumer Credit Subcommittee Chair Capito, recently wrote to the U.S. Government Accountability Office (GAO) to request that it undertake an independent, nonpartisan investigation into these matters. I am pleased to report that the GAO has accepted our request, and shortly, Bureau employees will have an opportunity to confiden-



tially share all of their concerns with the Government Accountability Office.

Director Cordray, the subcommittee recognizes that its investigations led you to initiate some action. However, changing employee ratings, topping off pay, hiring consultants, and holding listening sessions around the office does nothing to hold your managers accountable. And so, these measures are wholly inadequate.

I am not interested in hearing about the bureaucratic ways the Bureau is papering over the real problem. We need action. We need results. Like you wrote to me in April, Director Cordray, you said, in essence, that you are ultimately responsible for the Bureau's management, and that is why you have agreed to come forward and to give us your response.

So today, I am interested in hearing about the actual steps you, personally, have taken to protect your employees and end the Bureau's management culture of intimidation and retaliation.

I will now yield to the distinguished ranking member of the subcommittee, Mr. Green of Texas, for 5 minutes.

Mr. GREEN. Thank you, Mr. Chairman.

And I thank you for appearing today, Mr. Cordray. You and I know that you have been amenable to and willing to appear at all times that you have indicated such. So it does not surprise me that you are here today.

This is the fourth hearing entitled, "Allegations of Discrimination and Retaliation and the CFPB Management Culture," the fourth hearing. We have heard allegations, and I want to assure all that, while we have heard allegations, I have not drawn a final conclusion, just because we have heard allegations.

I will let you know that we have spent approximately 8 hours and 40 minutes of investigative time hearing allegations, looking at subpoenas. And I believe that these hearings initially caused me to have a visceral thought of this, is about the CFPB only, that the CFPB was being singled out.

That was my initial thought, and there probably may be some of this, but I have also come to conclude that it is bigger than the CFPB. It is about invidious discrimination wherever it happens to be, not just at the CFPB.

And to this end, the ranking member of the full Financial Services Committee and I have sent a letter to the chairman of the full Financial Services Committee and the chairwoman of the Financial Institutions and Consumer Credit Subcommittee asking that invidious discrimination be investigated in other areas. For example, we have asked in this letter that allegations against Goldman Sachs be investigated.

I ask that this letter be presented for the record, please, if there are no objections.

Mr. DUFFY [presiding]. Without objection, it is so ordered.

Mr. GREEN. And I just believe that what is good for the regulator is good for the regulated. If we are going to investigate with a great amount of energy, and many, many hours, the CFPB, the regulator, I think we have to look at the regulated as well. These are all allegations, but here are some of the allegations.

As you know, we started this investigation with an American Banker article. Bloomberg has an article entitled, "Goldman 'Boys

Club' Accused of Mocking Women as 'Bimbos' and 'Party Girls.'" What is good for the regulator is good for the regulated. Bloomberg indicates that there are concerns with salaries and promotions at Goldman.

But there is another article that goes into some greater detail in terms of what the issues are. This one is from the International Business Times. It indicates that the most damning claims revealed in documents—all allegations—are: one, that a woman was punished for reporting an alleged sexual assault by a male co-worker; and two, Goldman hired beautiful women, but mocked their intelligence.

I am reading from the International Times. These are allegations. I don't draw conclusions until I hear from all sides.

Goldman paid women less because they didn't consider them heads of household. Escorts were hired for a holiday party. Women were worried that becoming pregnant would threaten their chances at a promotion. Male Goldman Sachs employees took clients to strip clubs. Women weren't taken seriously when socializing at bars and clubs after workhours, all allegations.

But I do believe that is what good for the regulator is good for the regulated, and my hope is that my colleagues will join me—we have made the request—and let's look into what is happening at Goldman Sachs. Let's not end this investigation with the regulator. Let's look at what is happening with the regulated.

My belief is that people of goodwill who have decided that this is a course that we should embark upon will not cease and desist with the regulator. My belief is that they will look into what is happening with the regulated.

Dr. King reminded us, Mr. Chairman, that the truest measure of the person is not where you stand in times of comfort and convenience, but where you stand in times of challenge and controversy. This is a time of challenge and controversy. We are investigating allegations of discrimination.

And while Mr. Cordray has not been a perfect public servant, he has been a good public servant, and I look forward to hearing what he has done to take corrective action at the CFPB. And I also look forward to looking into the regulated to the same extent that we are looking into the regulators.

Mr. DUFFY. Thank you, Mr. Green.

We now welcome our witness, CFPB Director Richard Cordray. Director Cordray was confirmed by the Senate on July 16, 2013, to serve as the CFPB's first Director.

Prior to his service at the CFPB, Director Cordray served the people of the State of Ohio as Attorney General, State Treasurer, State Representative, and Ohio's first Solicitor General.

Director Cordray is a graduate of Michigan State University, Oxford University, and the University of Chicago Law School.

The witness will be recognized for 5 minutes to give an oral presentation of his testimony.

On your table, Director Cordray—you are well aware of this—we have three lights: green means go; yellow means hurry up; and red means stop. You are well aware of that.

After you are done with your presentation, each member of the subcommittee will be given 5 minutes in which to ask you questions.

Without objection, the witness' written statement will be made a part of the record.

As you are well aware, too, our microphones are awfully sensitive. So if you would make sure it is on and pull it close, that will help everyone on the committee to hear your testimony.

And, with that, Director Cordray, you are now recognized for 5 minutes.

**STATEMENT OF THE HONORABLE RICHARD CORDRAY,  
DIRECTOR, CONSUMER FINANCIAL PROTECTION BUREAU**

Mr. CORDRAY. Thank you, Chairman McHenry, I guess Acting Chairman Duffy, Ranking Member Green, and members of the subcommittee. I am glad to be here today to address certain personnel and management matters at the Consumer Financial Protection Bureau.

Although I am the Director of the Bureau and I am the one who is squarely responsible to you for its oversight, the many significant accomplishments of this new agency have been achieved not by me but by my dedicated and talented colleagues. In just 3 years, they formed a strong team that is busy improving everyday life for consumers all over this country, in each of your congressional districts. They have taken enforcement actions that put more than \$4.6 billion back in the pockets of millions of American consumers. They have adopted new mortgage rules, as required by Congress, to make the world's largest single consumer financial market safer for consumers and for our economy. I am proud of our Consumer Response team, which, so far, has handled over 400,000 complaints, secured both monetary and non-monetary relief on behalf of many consumers, and constructed a public database of complaints that is generating more careful focus on customer service at our larger banks and financial companies.

At the same time, the strong CFPB team has been doing all the work necessary to build a brand new Federal agency from the ground up. That work has not been easy, and some of the working conditions have been especially difficult for people. We have been consistently short-staffed, and working space has been challenging. Management structure had to be developed from scratch, and for a long time employees have not had settled expectations around key matters like performance reviews, pay adjustments, and promotions, which created some anxiety. Looking back, I can also see that we felt tremendous pressure. We were created in the wake of the largest financial crisis since the Great Depression, and there were high expectations amongst the public and aggressive goals set for us by Congress. From the beginning, I believed that it was extremely important for us to get things done, to show clear progress, and to deliver on our promise to make things better for American consumers. All of that increased the workload and made it harder for everyone to cope with the demands of the new situation.

I take very seriously the concerns aired at your previous hearings about the Bureau's work environment. I am committed to ensuring that all Bureau employees are treated fairly and that they

receive the respect and dignity they deserve. Across-the-board, they are highly dedicated to public service and to the mission of this agency. In turn, I want them to be in position to do their best work and be able to see that they are making a difference to the future of this country.

Because of the speed with which we tried to build this new agency, we found that we did not get everything right for our own employees. One especially sore spot was the system for reviewing and assessing the performance of CFPB employees. During the second year we had that system, we heard complaints and concerns from employees about it. After we had completed the second year of performance reviews, we began to analyze the numbers in more detail and we found that many different categories of employees were seeming to be treated unevenly. Whether the distinction was headquarters versus field, or one part of the Bureau versus another, or bargaining unit versus non-bargaining unit employees, or other categories like age and race, we perceived that the review system was creating differential outcomes that indicated the system was unsatisfactory and not working out as intended. Notably, about half of our employee grievances filed to date have concerned performance reviews.

Having recognized these issues, we took decisive and comprehensive actions to address them. We self-initiated a more detailed analysis that ultimately showed ratings disparities across a wide range of employee characteristics, which you have seen in the form of the Snapshot report we released earlier this year. We also put on the table in our union negotiations whether to discard this system, which we agreed to do after bargaining over it. For the next 2 fiscal years, we will be moving to a new two-level performance review system, and we have agreed to a joint working group with our union to design a new system to use after that. We also announced that we would adjust prior performance-related compensation for the 2 years during which our employees may have been adversely affected by the flaws in the prior system. By self-correcting and self-remediating disparities in our performance ratings, we are holding ourselves to the same standards of fairness that we expect from the financial industries we oversee.

Although the Bureau has had good diversity numbers around hiring and contracting, we need to focus more consciously on how to improve our culture, so that diversity and inclusion are more deeply ingrained in our everyday work life. To that end, I have elevated our Office of Minority and Women Inclusion (OMWI) to work directly out of my office and I have tasked the head of OMWI, Stuart Ishimaru, with conducting dozens of Bureau-wide listening sessions to hear directly from our employees about their experience with equality and fairness. Hundreds of our colleagues have participated in these sessions, and we are listening closely to learn more about how to set a better direction for the future and achieve some of the goals that I have touched on here today.

I am here today because I know you have been seeking to ensure congressional oversight of this agency and these issues. As the sole Director of the Bureau, I am the responsible party to work with you in providing such oversight. Other issues have arisen involving individual allegations that are part of employee grievances and

complaints. Like other Federal agencies, the Bureau has an Equal Employment Opportunity complaint process and a grievance process for employees to initiate and seek resolution of any allegations of discrimination and harassment. It is important that these processes be able to work, that individual privacy and due process rights protected by Federal law can be respected, and that both sides of every story can be heard and considered and assessed accordingly. Public discussion of these individual matters may have a chilling effect that prejudices individual rights and undermines the integrity of the legal process. For this reason, I must be very careful in speaking about ongoing personnel matters in this public hearing. We take each of these allegations very seriously, and we will continue to work diligently to resolve any issues through all appropriate channels.

Thank you for the opportunity to make this statement, and I would be happy to answer your questions.

[The prepared statement of Mr. Cordray can be found on page 44 of the appendix.]

Mr. DUFFY. Thank you, Mr. Cordray.

The Chair now recognizes the gentleman from Pennsylvania, Mr. Fitzpatrick, for 5 minutes for questions.

Mr. FITZPATRICK. I thank the chairman for calling the hearing.

And, Director Cordray, we appreciate you being here and your assessment that the agency is essentially a work in progress and that, in many instances, the management or the implementation of the policies has not been correct or done correctly.

We also hope that you appreciate and respect the obligation of this Oversight and Investigations Subcommittee to do some oversight on the agency.

Mr. CORDRAY. I do.

Mr. FITZPATRICK. Are you aware that on March 31, 2014, which was 2 days before the whistleblower, Angela Martin, was said to testify here, Scott Pluta called an all-hands-on-deck meeting of the Office of Consumer Response?

Mr. CORDRAY. I am not specifically aware of all the meetings that go on at the Bureau, including that one.

Mr. FITZPATRICK. You didn't call the meeting?

Mr. CORDRAY. I did not.

Mr. FITZPATRICK. You were not aware of the meeting? You were not aware of that meeting on—

Mr. CORDRAY. I don't believe I was. No.

Mr. FITZPATRICK. —March 31st?

So you wouldn't be aware that the Bureau's Chief Operating Officer, also, Mr. Sartaj Alag, I think—is that his name?—was also in attendance at this meeting and addressed the employees?

Mr. CORDRAY. I was not at the meeting. I don't know the details of that meeting.

Mr. FITZPATRICK. Did anybody speak to you about the meeting after it occurred?

Mr. CORDRAY. I don't know if they might have at the time. There are meetings across the Bureau all the time, and I don't know the details of all of them.

Mr. FITZPATRICK. I can tell you this, Mr. Director. At the meeting, which I would describe as a pep rally, Scott Pluta twice described this committee's oversight efforts as "political theater."

Do you agree with Mr. Pluta's characterization of our efforts, as an Oversight and Investigations Subcommittee?

Mr. CORDRAY. I would hope that would not be the nature of congressional oversight.

Mr. FITZPATRICK. Would you agree with Mr. Pluta's assessment of our efforts?

Mr. CORDRAY. I would hope that would not be the nature of congressional oversight.

Mr. FITZPATRICK. Certainly, the presence of the COO lends the imprimatur of the agency senior management at this meeting.

So if that occurred, what message do you think it sends to the employees?

Mr. CORDRAY. I take seriously congressional oversight. I have been offering myself to testify in front of this subcommittee. I thought that there were others who were called to testify where, perhaps, the responsibility should have been on me.

I think it is appropriately on me. And I think you know that I have always respected and tried to be responsive to Congress' oversight and understand the importance of that for an independent Federal agency like ourselves.

Mr. FITZPATRICK. Do you believe that Mr. Pluta's view of congressional oversight is widely shared by the managers at your agency?

Mr. CORDRAY. I can't speak for people, but I would hope that the nature of congressional oversight would not be as you described.

Mr. FITZPATRICK. Mr. Director, at this meeting, Scott Pluta also said, "My guess is the individuals who constructed Wednesday's event would prefer to keep certain things in play such that dissenting voices aren't there." And, for the record, we invited two CFPB managers, Liza Strong and Stacey Bach, to attend. They did not attend.

Did you suggest that they not attend or prevent their attendance here at this subcommittee?

Mr. CORDRAY. Here is what I recall about the sequence of events. There was a subcommittee hearing noticed with the purpose of the subcommittee meeting to be to review the performance review system that I believe, as I testified, was flawed and we were in the process of scrapping the system and fixing the problems.

Two days before the hearing, as I recall it, there was a suggestion suddenly that two witnesses would be called to testify about individual personnel matters. We were concerned about that, tried to explore with this subcommittee what was happening in terms of a notice of a meeting being changed so dramatically a few days before, concerned about privacy and due process rights of individuals.

And, ultimately, as I understand it, both Ms. Strong and Ms. Bach have either testified to this committee or been deposed in a structured and transcribed interview.

Mr. FITZPATRICK. But you are aware that they needed to be subpoenaed in order to come to this committee. Correct?

Mr. CORDRAY. I believe their lawyers requested that they be subpoenaed so that they would have protection from this committee.

Mr. FITZPATRICK. Nobody at the agency suggested that they not attend?

Mr. CORDRAY. As I said, 2 days before the hearing, suddenly injected into it were individual personnel matters and allegations and we were concerned about privacy rights of individuals and did want to explore—

Mr. FITZPATRICK. So was it suggested that they not attend?

Mr. CORDRAY. —did want to explore further with the subcommittee what was the appropriate way of proceeding here.

Mr. FITZPATRICK. Were they directed not to attend?

Mr. CORDRAY. I think we did want to explore further with the subcommittee, and we had very little time—

Mr. FITZPATRICK. It is just a yes-or-no answer.

Were they directed not to attend?

Mr. CORDRAY. They did ultimately attend at a different set of hearings and gave a transcribed interview.

Mr. DUFFY. The gentleman's time has expired.

Mr. FITZPATRICK. Thank you, Director Cordray.

Mr. DUFFY. The Chair now recognizes the ranking member of the full Financial Services Committee, Ms. Waters from California, for 5 minutes.

Ms. WATERS. Thank you very much, Mr. Chairman, and members.

Mr. Cordray, as you know, the Democrats on this side of the aisle have taken seriously the complaints that have been made about the Consumer Financial Protection Bureau, and we have cooperated.

We have done everything within our power to make sure we get to the bottom of it and to find out what we can do to ensure that in the Consumer Financial Protection Bureau—that they do not have any ongoing cases of what is alleged to be discrimination, and we have asked the opposite side of the aisle to cooperate with us by sending us certain information, which we have not gotten.

I have listened to your testimony today and all that you are doing to make sure that you correct any instances of discrimination that you have been accused of—that the agency has been accused of. So I want to know more about what you are doing.

You talked about the OMWI having been moved into your office to ensure that you have direct contact with them. You have mentioned listening sessions.

Tell us again, if you will, how this is working. What is a listening session? What comes out of it? And what do you do with that information, for example? And why did you move the Director of your OMWI into your office?

Mr. CORDRAY. So, a couple of things.

The first is the whole performance review system. It was a major undertaking to decide that system was flawed and needed to be actually overhauled and ultimately scrapped, which is what we have done. We put it into bargaining with the union and that has been the result, I think agreed to with satisfaction on both sides.

We also have—and I didn't get into the details of this—implemented a process to remediate the employees so that they would not have been adversely affected during the 2 years that rating system was used. And that was a significant undertaking, but we

thought it was the right thing to do and we wanted to step up and address the issue out of fairness to the employees.

In terms of the OMWI, that is, as you know—and you have given me counsel on this subject because you were deeply involved in the passage of the statute and I was not in Washington at the time—a major step forward in terms of dealing with these issues at the Federal banking regulatory agencies. I had had a dotted-line relationship with the OMWI to my office and, frankly, in the wake of discussions directly with you and other members of this committee, we have changed the reporting structure so that the OMWI reports directly to me, elevating the OMWI's role. And the OMWI has now been undertaking the project at the Bureau to respond to and address the broader issues raised in front of this subcommittee and has been in direct communication with now hundreds of Bureau employees and is in the process of producing a report on what that has taught us factually about the experience the employees are having with equality and fairness at the Bureau and what steps would be appropriate to make sure that the atmosphere at the Bureau is what you would want it to be, what I want it to be, what the employees themselves would want it to be on these issues.

Ms. WATERS. Mr. Cordray, we are pleased that you are here today, and we know that you have indicated both to my staff and to the chairman's staff that you are available to come before this committee at any time and you are willing to do so.

Did you find that the chairman and the subcommittee chair responded to your requests to appear before this committee and perhaps did not invite you to appear before this committee until today?

Mr. CORDRAY. Not until last week.

Ms. WATERS. But it was not—you were not before this committee because you were not cooperative?

Mr. CORDRAY. No. That is correct. I offered to come. I thought I was the appropriate person. I am the responsible person and I am the one whom this Congress deals with in terms of oversight for this Bureau. And I thought all along that was the appropriate means. People had different thoughts, and people are entitled to their thoughts, I guess. But it wasn't until last week that I was asked to come and testify in front of this committee.

Ms. WATERS. Thank you very much.

I yield back the balance of my time.

Mr. DUFFY. Thank you.

The Chair now recognizes himself for 5 minutes.

Mr. Cordray, I would just note that I believe you asked for this hearing to clear up issues in regard to racism and sexism.

I am a bit disappointed in the lack of answers you gave Mr. Fitzpatrick in regard to your direction to employees on April 2nd. Hopefully, we will have a little better luck in answers as we engage.

Now, I know that you have indicated that it has been the system of review that has caused the racial and sexual bias, not the culture or the managers. So, I just want to make sure we are on the same page.



Before August 2nd of 2013, Angela Martin had filed an EEO complaint with the Bureau. You would stipulate that. Yes? The answer is "yes" to that.

Mr. CORDRAY. I believe that is correct.

Mr. DUFFY. And, to your knowledge, she was represented by counsel. Right?

Mr. CORDRAY. At some point, she was represented by counsel. I don't know the details of when that would have occurred.

Mr. DUFFY. That was 7 days before the settlement.

She had counsel leading up to the first settlement. Is that correct?

Mr. CORDRAY. I believe that is correct. Yes.

Mr. DUFFY. Okay. And you were asked in a prior hearing by our chairman, Mr. Hensarling, whether you were aware of calling Ms. Martin on August 7th of 2013, and your answer was, "I don't know offhand whether I did."

Do you now know whether you called her on August 7th of 2013?

Mr. CORDRAY. I do not.

Mr. DUFFY. If I could, I am going to show you a copy of Ms. Martin's phone record. If I could have Ryan provide that to you. Oh, no, it is right there.

Mr. CORDRAY. I don't dispute it, if that is what you are getting at. Maybe I can save you some time.

Mr. DUFFY. Okay. Great.

Mr. CORDRAY. There had been discussions back and forth between Ms. Martin—

Mr. DUFFY. And the phone record in front of you would indicate that on August 7th, at 8:54 p.m., you called Ms. Martin for approximately 2 minutes. You would agree with that?

Mr. CORDRAY. There had been discussions back and forth—

Mr. DUFFY. Would you agree with that?

Mr. CORDRAY. —between Ms. Martin and myself.

Mr. DUFFY. Does your number begin with a 614? The document is right in front of you. Take a look.

Mr. CORDRAY. I don't dispute the document.

Mr. DUFFY. Great.

So you called her for 2 minutes and you—first of all, I want to note that I am not going to enter this into the record because I respect your privacy and I don't want your personal phone record disclosed.

Mr. CORDRAY. That's fine. I don't dispute the point. We can save some time.

Mr. DUFFY. You are an attorney. Right?

Mr. CORDRAY. I am an attorney. Yes.

Mr. DUFFY. And if Ms. Martin is represented by counsel, do you think it is appropriate that you, as the Director, would call her directly when she is represented by counsel to discuss her case?

Mr. CORDRAY. I read the testimony of Ms. Martin at the hearing.

Mr. DUFFY. That is not my question.

Do you think that is appropriate?

Mr. CORDRAY. And she indicated that—

Mr. DUFFY. Do you think that—

Mr. Cordray. —it is not a represented party situation.

Mr. DUFFY. Mr. Cordray, do you think it is appropriate that you called her on the night of August 7th when she was represented by counsel?

Mr. CORDRAY. As she testified, it was not a represented party situation. It was a continuation of a prior discussion, some of which she had initiated with me about resolving her dispute.

Mr. DUFFY. So your testimony is, you do think it was appropriate? Yes?

Mr. CORDRAY. It was not a represented party situation. I wasn't acting in an attorney capacity.

Mr. DUFFY. I don't know what—we read your transcript. And considering the fact that you were an attorney general and a lawyer, you still think that was appropriate?

Mr. CORDRAY. That was her testimony and my testimony. We agree.

Mr. DUFFY. Now, I would note that 10 minutes after that call she sent an email out. 10 minutes. Present-sense recollection.

The first line, "Wow, Rich Cordray just called me and said to get my attorneys to back down." Later in the email, she says, "The fact that Rich would even call me is unthinkable."

And I would agree with that. It is unthinkable that you would call her during the pending settlement.

Let me move on. Do you recall—

Mr. CORDRAY. Could I address that for the record, or not?

Mr. DUFFY. I want to move on quickly. I only have 1 minute and 40 seconds left.

Mr. CORDRAY. Okay. So, I can't.

Mr. DUFFY. Do you remember the settlement agreement with Ms. Martin? If I could put that up on the board—

Mr. CORDRAY. Which one? The one with the—

Mr. DUFFY. The first settlement agreement that was reached on August 7th.

Mr. CORDRAY. Okay.

Mr. DUFFY. The last line—I will read it to you. It is highlighted. "Complainant—which is Ms. Martin—would manage CASA for the duration of the project, which is anticipated to last not less than 30 months."

Do you agree, as per the settlement agreement with Ms. Martin, that she was the manager of CASA?

Mr. CORDRAY. If that is what the settlement agreement said, then that is what it was.

Mr. DUFFY. So you would say that she was the manager of CASA. Yes?

Mr. CORDRAY. That was my intent. Yes.

Mr. DUFFY. Okay. It was your intent, but was that actually what happened?

Mr. CORDRAY. So what happened, as I understand it, was a very important matter to Ms. Martin was the reporting structure she would have, to whom she would report.

Mr. DUFFY. Let me just pause you right there. I want to—

Mr. CORDRAY. And that changed at that time because of personnel issues within the Bureau.

Mr. DUFFY. Yes. Right after she was given the agreement—

Mr. CORDRAY. It was a medical issue.

Mr. DUFFY. If I could put up slide 3.

Let me just show you the CASA structure. It has the acting Enforcement Director, the CASA Director, which was not Ms. Martin, and then, off to the side, Project Manager, with virtually no responsibility.

Take a look at the management structure. No one reports to Ms. Martin. And you would tell me that this came from the CFPB?

Mr. CORDRAY. I am not sure what document you are referring to.

Mr. DUFFY. It is a CFPB document—

Mr. CORDRAY. What I do know is that Ms. Martin was dissatisfied. She reopened her grievance. We have worked through that and now resolved it again.

Mr. DUFFY. Yes, you have. But I am talking about when you did it.

Mr. CORDRAY. And I believe she has a productive position—

Mr. DUFFY. Because I am going to put up the next slide, which will show that 2 days after she testified, remarkably, the structure of CASA changed. And look at what happens.

Remarkably, the managing Director, where everyone reports, is to Ms. Martin, consistent with the settlement agreement.

But it wasn't until she came before this committee and was willing to testify before this committee that you actually complied with the settlement agreement.

My time has expired.

Mr. CORDRAY. I don't think any of that ever quite worked out as intended, but we have worked out a different arrangement and settled her matter to everyone's satisfaction, I believe. Yes.

Mr. DUFFY. Votes have been called. But pursuant to our discussions, the Chair will now recognize Mr. Ellison from Minnesota for 5 minutes.

Mr. ELLISON. Thank you. Thank you very much. Sorry about that, Mr. Chairman.

Mr. Cordray, my question is: Are you fully committed to making sure that every employee complaint is fairly investigated without regard to who may end up being held responsible or liable?

Are you committed to the process to make sure all these workers who have brought forth complaints get them fairly and properly reviewed?

Mr. CORDRAY. I am. And there would be no advantage to me or to the agency to do anything other than exactly that.

Mr. ELLISON. And if you were to simply go to the workers who have made the complaints and just give them the relief that they are seeking without regard to the person who is accused, would that be fair?

Mr. CORDRAY. My understanding is that in the Federal Government, there are processes on these things that need to be followed, because what you do for one employee will affect what you may do for other employees, and there has to be a fairness not just to the individual, but across-the-board.

Mr. ELLISON. So it may be that the people who have brought forth these complaints will be fully vindicated and will have full redress, but there is a process that needs to take place?

Mr. CORDRAY. There are multiple processes, yes. And there are appeals if people are dissatisfied. And they can go outside the agency to other venues, certainly. Yes.

Mr. ELLISON. I am sure it is frustrating for people who have legitimate complaints who, in fact, may well have been discriminated against.

The fact that it takes a long time, it must be frustrating for them. Am I right?

Mr. CORDRAY. I think it is frustrating for everyone. It is frustrating for me, too. I would like to see these things resolved. That is what I would like to see.

Mr. ELLISON. But we are stuck with the process just because that is the way it is. Right?

Mr. CORDRAY. Apparently. Yes.

Mr. ELLISON. And I guess my question is: As the person who runs the shop, have you thought about making sure that the managers that you employ are getting the proper training?

And have you thought about how to make sure that—now that you are up and you are running, have you tried to think about, “Okay. Here is how we are going to be fair with all employee complaints,” and given training to top managers about that?

Mr. CORDRAY. I am. And what I have come to see, frankly, is I don’t think we did enough of that in the beginning. We didn’t have many people to begin with. We didn’t have structure. We didn’t have programs of that sort. We now do. It is very important that we do. I think managers are receiving considerably more training than they did initially. And it was, frankly, probably an oversight of the Bureau and reflective of the start-up phase, perhaps, but it hurt us, I think, a great deal in various respects.

Mr. ELLISON. Now, it is a fact that this whole process began—this committee started focusing on discrimination in the CFPB when the American Banker magazine, I believe—

Mr. CORDRAY. Yes.

Mr. ELLISON. —basically put out an article saying that, as the CFPB is making allegations about disparate impact of certain players in the market, they themselves have some discrimination that they better deal with.

And at least the way I read the article, it sort of signaled that maybe what they were looking for was to make the CFPB back off of those claims.

Do I have the history right?

Mr. CORDRAY. That is not going to happen.

Mr. ELLISON. Right.

So the right thing to do is to make sure you clean up your house with regard to discrimination—

Mr. CORDRAY. Yes.

Mr. ELLISON. —and then pursue your mission.

Here is my question: Of all of the people who have made complaints of discrimination and made complaints about being treated unfairly by certain individuals in your shop, have any of the complainants ever expressed a lack of confidence in the overall mission of the CFPB or have they individually said, “I am for the mission. I just want to make sure I am treated fairly?” Do you understand my question?

Mr. CORDRAY. I do.

I actually heard testimony from others who came before this subcommittee previous to my appearance today, and that seemed to be the tenor of their views. And I think it is the broad view across the Bureau.

People came to the Bureau to improve life for consumers in this country, and they are dedicated to that. There have been certain aspects of the working conditions and the situations, especially as a start-up agency, that made it harder for people to do that. We all recognize that. We have been under a fair amount of pressure to do that.

But that is what everybody wants. And there is a high degree of adherence to the mission at the Bureau. And despite it all, the overall job satisfaction at the Consumer Bureau has been above that of the rest of the Federal Government, and I think that is notable. And it is because of the mission.

Mr. ELLISON. I just want to say that I hope and pray that the people who have complaints get them fully and fairly adjudicated. But as I have listened to the testimony, anybody who believes that they are going to back the CFPB off of discrimination by making these allegations is dead wrong, and I am committed to making sure that is true. All the best to you and the complainants and the defendants.

Thank you.

Mr. CORDRAY. Thank you.

Mr. DUFFY. I would just note that votes have been called. I would ask that we recess for such time as needed to cast those votes.

I would just note, Mr. Director, you did ask for this hearing, and you wanted to clear the air. I would ask, after a couple of questions on our side, that you would rethink the forthright answers that you are giving.

I would like to clear it up by way of the committee and put this behind us, and one of the ways to do that is to do the best you can to answer our questions.

Mr. CORDRAY. My answers have been and all will be forthright, sir, and I will be here as long as it takes today.

Mr. DUFFY. We have three votes. So we will reassess until such time the votes are concluded.

Mr. CORDRAY. That is fine. Take your time.

Mr. DUFFY. The committee stands in recess.

[recess]

Mr. DUFFY. The committee will come to order.

The Chair will now recognize Mr. Barr from Kentucky for 5 minutes.

Mr. BARR. Thank you, Mr. Chairman.

And thank you, Director Cordray, for your time today.

As you may know, one of the employees at the Bureau who was hired as an examiner, Mr. Ali Naraghi, testified in front of this subcommittee, alleging retaliation from his managers within the Bureau.

Mr. Naraghi served as a Federal Reserve Bank Analyst and Examiner and, from what I can tell, had a distinguished career of bank supervision prior to his employment with your agency.

In his prepared testimony, he testified that, "Voicing a professional dissenting opinion that is in any way at odds with Bureau management, even in the smallest ways, will result in retaliation."

And he pointed out concerns that he raised to management of the Bureau. Some of those concerns that he raised were that, first, the Bureau hired inexperienced managers whose only qualification appeared to be personal or other connections to Bureau hiring officials.

Second, gross mismanagement. For example, he said that in the southeast region, about 50 to 75 examiners were kept at their homes, essentially without work, to perform 8 months between approximately September 2011 to May 2012.

He also testified that there were results-oriented examinations in which the Bureau at the headquarters appeared to have decided at the outset to find a violation, even if none were identified.

He said that CFPB management imposed inefficient national exam procedures. He said that the exams were inefficient; they take at least 6 weeks onsite, regardless of size and assets or footprint.

And probably most troubling of all, he alleged that lawyers from the Enforcement Division joined examiners and occasionally mentioned plans to bring enforcement actions prior to completion of exam work and/or discovering a violation.

He further testified that when he brought these concerns to management, he was a victim of retaliation. So, obviously, these are troubling allegations.

But whether true or not, do you believe that a searching investigation into the accuracy of those claims is a legitimate, appropriate, and substantive course of inquiry for this congressional subcommittee?

Mr. CORDRAY. Thank you, Congressman, for the question.

I think whether true or not, the phrase you used there, it is actually a very significant matter. And I do not believe that any of what you just described is either accurate or justified.

Mr. BARR. It doesn't surprise me, that you would say that.

Mr. CORDRAY. No. Let me say our supervision program has been looked at very carefully 3 times now. It has been looked at by the Inspector General, it has been looked at by the U.S. Chamber of Commerce, who gave us a review of our supervision program, and it has been looked at by the clearinghouse of the large banks, all of whom determined that our supervision program is being run professionally and capably. They had various suggestions along the way, but none of this—

Mr. BARR. But do you think it would be appropriate for us to take a look at that as well? That would not be political theater. That would be a legitimate course of inquiry. Right?

Mr. CORDRAY. I would welcome that.

Mr. BARR. Okay. Very good.

And so, I wanted to know just as a follow up, Mr. Director, who is John Dowd?

Mr. CORDRAY. I am not sure who John Dowd is.

Mr. BARR. The committee has a letter from John Dowd, and I believe he is a partner with the Akin Gump law firm. And it appears

that he represents Ms. Liza Strong, who is, according to Mr. Naraghi, the perpetrator of the retaliation against him.

My question is: Did the Bureau hire Mr. Dowd to represent Ms. Strong?

Mr. CORDRAY. I don't know how she would be the perpetrator of retaliation against him. She is not his manager or supervisor. She has no control—

Mr. BARR. Okay. Alleged. Alleged retaliation. But stipulating that—

Mr. CORDRAY. I believe that Ms. Strong would have hired her own lawyer.

Mr. BARR. Okay. So you don't know whether or not the Bureau is indemnifying managers who are alleged to have retaliated against employees at the Bureau?

Mr. CORDRAY. We do indemnify certain managers in accordance with the policy.

Mr. BARR. So it is possible, at least, that this Akin Gump law firm was hired by the Bureau to represent—

Mr. CORDRAY. Not hired by the Bureau. When there is a situation of potential conflict between an employee and the—

Mr. BARR. Who is paying for it? Who is paying for the lawyer?

Mr. CORDRAY. Same as with a board of directors of a company.

Mr. BARR. So who—

Mr. CORDRAY. The indemnification means that the Bureau would pay for—

Mr. BARR. So the taxpayers are paying for lawyers to represent—and I would just say here, in the letter from the lawyer, that he is requesting that Mr. Naraghi's statement be stricken.

So you acknowledge that this is something that we should be looking at, but the lawyers that the taxpayers are paying for don't want us to take seriously these allegations.

Mr. CORDRAY. I don't know that any of that is true at all. What I know is that there is such a letter. The lawyer took the position it should be stricken because he thinks it is a one-sided account.

There are allegations that I believe are not true and not justified. Our supervision program has been looked at carefully by multiple external sources who had no reason to whitewash anything, and the supervision program has been generally professional and well-run.

Mr. DUFFY. The gentleman's time has expired.

Mr. BARR. My time has expired.

Mr. DUFFY. The Chair now recognizes the gentleman from Washington, Mr. Heck, for 5 minutes.

Mr. HECK. Thank you very much, Mr. Chairman.

And Mr. Cordray, thank you so much for visiting with us this afternoon.

I would like to start out, as I often have, by complimenting the agency and, in particular, its Office of Servicemembers Affairs under Holly Petraeus, for the great work they do with and for our active duty personnel.

In fact, I think I noted that just last week there was the discovery of a \$92-million circumstance to the disfavor of our active duty military personnel, which your agency was integral in spotlighting. And I thank you for that.

Every time you have been here, I have asked you about the status of the Military Lending Act. Rules and regulations of the Department of Defense was to promulgate it by, I think, the end of last calendar year.

And I was hoping beyond hope that maybe today you could give us kind of an update on where those are and what it might mean going forward.

Mr. CORDRAY. So, two things.

First, I will say about the enforcement action you described, the \$292 million that will be wiped off debt collection for servicemembers across the country, we worked with 13 State Attorneys General on that. I was pleased to see Defense Secretary Hagel taking a personal interest in the matter and commending that work. And it is good work. And it is again, as you say, Ms. Petraeus' team, together with our enforcement team, who accomplished that.

On the Military Lending Act, you are in luck. If you had asked me any other time, other than today, you would not have been in luck. But I understand that the Defense Department conveyed the draft Military Lending Act rules to the Office of Management and Budget yesterday and those will go in a fast process of review there and then be considered for finalization, which would bring the long-standing desire of this Congress to have military members protected against predatory lenders to real fruition. And the CFPB, as Congress stipulated, advised the Defense Department on those rules and worked with them and with the other agencies to put them together with great help from Treasury and the other agencies. So, I am pleased about it and it is moving forward.

Mr. HECK. Have you had a chance to review them in the form as submitted to OMB?

Mr. CORDRAY. It essentially aligns with what the drafting committee of multiple agencies put together. They are good, strong, comprehensive rules. Yes.

Mr. HECK. Okay. A second question, if I may.

As you know, we have been debating in the full committee a proposed legislation that would enable, perhaps even require the CFPB to offer and publish advisory opinions in response to requests from businesses.

I was pretty concerned about the languages initially proposed, but very attracted to the idea as a step forward in being more collaborative and constructive, I think, between people who are regulated and the agency.

And I am just wondering, is this something that the agency has considered doing? And if there were adequate resources and safeguards in place, what is your personal and professional opinion about whether or not it offers the potential to be a constructive step forward in your responsibility to interact with those that you regulate?

Mr. CORDRAY. I think there may have been some issues about some of the legislation in terms of what is mandatory and bandwidth, and so forth.

We have been looking at what steps we could take on our own to address these types of issues from industry. We do answer a lot of industry requests for guidance constantly, and we have given in-



interpretive rulings and other types of things. But we are looking at potentially a no-action letter process, similar to that which the SEC has in place. Not necessarily exactly the same as that one, but that is the kind of process we are looking at. And I do think the agency will be able to do some forward-looking things on this and we would be happy to keep you apprised as we go.

Mr. HECK. Conceptually, do you think this is therefore a good idea? Depending on the devil being in the details, of course, but do you think it holds the possibility of being a positive step?

Mr. CORDRAY. I think that institutions often want guidance about how they should implement the law when they really aren't sure about the guidance. If we can provide it, that helps get them through an issue, maybe save them lawyers' fees and have clarity. And when we do that and we can publish it so that everyone knows, I think that is the best approach.

Mr. HECK. So, finally, let me just reiterate that which I gleefully take the occasion to do every time you are here, sir. Thank you very much for the work your agency does on behalf of Armed Services personnel. It matters a lot. This is the last thing in the world that these young men and women ought to be worrying about. You have their back, and we are deeply grateful for it.

Mr. CORDRAY. I have always been a strong advocate for that, and we appreciate your interest in these ongoing matters.

Mr. HECK. Thank you.

Mr. DUFFY. The gentleman yields back.

The Chair would ask for unanimous consent to enter into the record a letter received today from the GAO to the chairman of the full Financial Services Committee, Chairman Jeb Hensarling, indicating that the GAO will review the organizational, cultural, and personnel management practices at the CFPB.

Without objection, it is so ordered.

The Chair now recognizes the gentleman from Pennsylvania, Mr. Rothfus, for 5 minutes.

Mr. ROTHFUS. Thank you, Mr. Chairman.

And thank you, Director Cordray, for being with us this afternoon.

Director Cordray, are you aware of any managers at the CFPB disqualifying a job applicant by stating that an applicant's resume demonstrated that the applicant "doesn't believe in the mission?"

Mr. CORDRAY. I have no awareness of that, although I would say that we have had hundreds of people come to work at the Bureau and they seem to be uniformly interested in the mission. If they are not interested in the mission, I can't imagine they would want to apply to the Bureau.

Mr. ROTHFUS. Have you ever heard this expression used at the CFPB, that an application or somebody involved in the hiring context, somebody who is in for an interview, somebody who has applied—a manager or somebody at the CFPB says that person doesn't believe in the mission? Have you ever heard that?

Mr. CORDRAY. I never have. No.

Mr. ROTHFUS. Will you look into this personally and report back to us and see if—

Mr. CORDRAY. When you say "this," who are you talking about?

Mr. ROTHFUS. We have been told that happens there. And so, I would ask that you look into it.

Mr. CORDRAY. If there is any information you want to provide to us, whether it is anonymized or whatever—

Mr. ROTHFUS. No. I would like you to ask your managers if this is part of the hiring culture there.

Mr. CORDRAY. I will ask them that question. And if there is more information you want to provide so that we can look into it in more detail, I would be happy to do so.

Mr. ROTHFUS. Are you aware of any managers in the CFPB's Office of Consumer Response ever describing the hiring of a former congressional staffer as, "doing the party a solid?"

Mr. CORDRAY. I have not heard that. We are not a partisan organization, and partisan politics has no place there.

Mr. ROTHFUS. Okay. We have sent a letter to you requesting documents on this issue, yet your staff refuses to turn them over.

Will you please instruct your staff to immediately produce all of the records we have requested to the subcommittee?

Mr. CORDRAY. I would be happy to have our staff work with your staff and the subcommittee's staff to make sure, as we were trying to do all along that as you engage in oversight, you have the information that you need.

Mr. ROTHFUS. Are you aware of any of your managers interviewing a candidate for a position before a job announcement has formally been posted?

Mr. CORDRAY. Say that again.

Mr. ROTHFUS. Are you aware of any of your managers interviewing a candidate for a position before a job announcement had formally been posted?

Mr. CORDRAY. I am not aware of it. I would say that, in the early going, when we were, you know, 10, 20, 30 people and just staffing up, I don't know whether something might have occurred at one point or another. But, that would not be the normal process now that we are a fully built agency and have our processes in place.

Mr. ROTHFUS. Again, I would ask you to go back and take a look at that and let us know.

Mr. CORDRAY. Okay.

Mr. ROTHFUS. Are you aware of a contractor ever writing a job description for themselves and then getting hired into that position without competition?

Mr. CORDRAY. I am not aware of that. But any information you want to provide to us and you want us to look into something, we will be glad to do it.

Mr. ROTHFUS. Again, I am going to ask you to take a look at that.

Are you aware of any of your managers ever hiring an individual with whom they have a friendship or other personal relationship into a position for which the individual is objectively unqualified?

Mr. CORDRAY. I am sure there have been many occasions at the Bureau where people were hired because they knew other people and people thought well of them and had reason to know their background and experience. But we do not hire unqualified people, and I do not believe that has been the case. But, again, if you have any instances that you want us to look into, we will do so.

Mr. ROTHFUS. On May 21st, Benjamin Konop, the executive vice president of your employee union, testified that, "Women and minority employees were being underpaid when compared to similarly situated White male colleagues. To date, the Bureau has denied each of these grievances at all stages, often using inconsistent reasoning, despite what I feel is convincing evidence of low pay for numerous women and minority workers."

Do you agree with his assessment of the situation?

Mr. CORDRAY. It is not correct. It is not factually correct. That may be his perspective. Mr. Konop is representing six or eight employees in particular matters. But, in fact, we have adjusted the pay of dozens of employees at the Bureau, both men and women, no particular disparity there, both White and Minority, and it has happened many times.

Mr. ROTHFUS. Are you aware of any gender pay equity issues in the Bureau today?

Mr. CORDRAY. We have looked at this carefully in light of that testimony, and it is not indicative of what goes on at the Bureau.

Mr. ROTHFUS. Did you take—

Mr. CORDRAY. There were allegations made—

Mr. ROTHFUS. —corrective action after that testimony with respect to any individuals at the CFPB?

Mr. CORDRAY. No. There were allegations made in that hearing and other hearings that were completely factually incorrect, stating that there are pay disparities based on White and Minority and that no Minority pay was ever adjusted, no White pay was ever adjusted. It is factually incorrect.

Mr. ROTHFUS. My time has expired, Mr. Chairman.

Mr. DUFFY. The gentleman yields back.

The Chair now recognizes the gentleman from Nevada, Mr. Horsford, for 5 minutes.

Mr. HORSFORD. I would like to thank you, Mr. Chairman, the ranking member of the subcommittee, and the ranking member of the full committee.

And thank you, Mr. Cordray, for being here today.

Before I begin, I am one of the new members on the committee and one of the new members in this Congress. Before I came to Congress, I ran an employment and training agency for 11 years.

Part of my job was to help train and then place thousands of workers in the private sector in order to help meet their workforce needs, and I have run into many personnel matters, diversity issues, in the course of that both from a labor and management perspective.

I am not an employment lawyer, nor do I specialize in employment law. But I think that it is ironic that there are members of this subcommittee who are trying to use this Oversight and Investigations Subcommittee to really be more of a human resources and grievance subcommittee, and I don't think that is our proper role.

At no point would any employer either in the public sector or the private sector discuss sensitive personnel matters. It is not in the best interest of the employee or the employer, and it is a common practice.

Furthermore, Republicans or my colleagues on the other side talk often about the fact that public agencies, Federal agencies, should

act more like the private sector, but, yet, they would have you come here today and ask you questions that they would never ask of the private sector in the manner that they are asking you.

And so, I would just first like to give you an opportunity to put on the record, as you did in the beginning of your opening statement, what you are doing, as the employer, to address from a systemic standpoint the workforce issues that have been raised individually or collectively at the CFPB.

Mr. CORDRAY. Sure. And, frankly, we probably could have used your expertise early on in building this new agency. But it is difficult to try to address allegations about individual employee situations in a public setting, and I have to be, as I said, careful about privacy and due process rights of those involved.

To your question, what we have done here is—first of all, the main focus of these issues for us started with and has been the performance review system, which we determined did not treat employees fairly and had an adverse effect on a number of them. And, as a result, the system has been overhauled, scrapped, if you will, a new system put in place, and we have taken the significant step for the agency of remediating individual employees to make sure there is no lingering adverse effect from that.

Second, we have made management structural changes at the Bureau to focus on and address the issues of ongoing culture at the agency. We continue to make specific efforts around diversity in hiring and contracting, and those are ongoing, including recruiting at a broad range of institutions, including Historically Black Colleges and other Latino and Minority-serving institutions.

And it is an ongoing focus for us to be the diverse agency that we should be if we are representing and supporting the diverse set of American consumers across this country, which is a growing element of the American public. It is the present and the future of this country, and we need to make sure that we are handling things appropriately in this regard as well.

Mr. HORSFORD. Thank you.

And in my remaining time left, I just want to ask, going to your central mission—my constituents don't care about this process stuff. If there are legitimate issues, they need to be addressed. You, as the employer, need to be held accountable to address those. And our oversight functions should be to do that.

What I want to know is around the mission you provide to my constituents around consumer protection, consumer complaints, mortgage help and housing counseling. That is what my constituents want to know about.

So can you briefly tell me how I can get that information out so that my constituents can be better served.

Mr. CORDRAY. Sure. And I would say most of all—and this is, again, a consumer response that we have spent so much time talking about. They have been able and powerful and effective at responding to individual complaints of consumers across this country. If you feel you have been mistreated on your mortgage or your credit card account or bank accounts, auto loans, student loans, at [consumerfinance.gov](http://consumerfinance.gov), you can file a complaint with us and we will work on it.

Mr. DUFFY. The gentleman's time has expired.

Mr. CORDRAY. You can call us, toll-free, at 1-855-411-CFPB also, to get those complaints—

Mr. DUFFY. You want a Web site, too, Mr. Cordray?

Mr. CORDRAY. [Consumerfinance.gov](http://Consumerfinance.gov).

Mr. DUFFY. The gentleman's time has expired.

The Chair now recognizes the gentlelady from Missouri, Mrs. Wagner, for 5 minutes.

Mrs. WAGNER. Thank you, Mr. Chairman.

And thank you, Director Cordray.

Director Cordray, in the committee's June 14, 2014, hearing, you said that Stuart Ishimaru, the Director of the CFPB Office of Minority and Women Inclusion, commissioned a Deloitte consulting report in September 2013 to get a baseline so that he could develop a strategic plan for the office. Is that correct, sir?

Mr. CORDRAY. That is correct.

Mrs. WAGNER. And Mr. Ishimaru was hired, I believe, in April—April 30, 2012. Is that correct?

Mr. CORDRAY. Yes. And he started to try to commission that report and started out with trying to do a small business procurement and that led to a process where nobody qualified.

Mrs. WAGNER. Let me just say this—

Mr. CORDRAY. So it took a while.

Mrs. WAGNER. I don't understand. I do the math here and Mr. Ishimaru waited over a year—

Mr. CORDRAY. No.

Mrs. WAGNER. —to commission his baseline report.

Mr. CORDRAY. Not correct.

Mrs. WAGNER. He did for, "a strategic plan," sir.

Mr. CORDRAY. Not correct. He started a procurement. We tried to do a small business procurement, which is something that the government seems to want us to do, and we are willing to do it.

Mrs. WAGNER. It seems like a very long time to wait to get a baseline.

Mr. CORDRAY. It was—I would agree with that. It was a long time, but it wasn't his problem.

Mrs. WAGNER. Will you share with the committee a copy of the contract between the CFPB and Deloitte?

Mr. CORDRAY. I beg your pardon?

Mrs. WAGNER. Would you share a copy of the contract between the CFPB and Deloitte with the Financial Services Committee?

Mr. CORDRAY. Have we been asked to do that?

Mrs. WAGNER. I am asking you to.

Mr. CORDRAY. Okay. We would be happy to work with your staff—

Mrs. WAGNER. Thank you. I appreciate that.

Mr. CORDRAY. —and the committee staff to get you the information you need.

Mrs. WAGNER. I would like to have a copy of the contract, please.

Director Cordray, not long after the Deloitte report came out in September 2013, revealing racial and gender disparities, the Bureau entered into negotiations with the union in January 2014 regarding similar issues. In your last appearance before the committee, you made it sound like you acted quickly once you discovered there was a problem.

However, as we have heard in prior testimony from Mr. Ben Konop, the CFPB employee who heads the union and was representing the employees during these negotiations, he testified that he was never made aware of the Deloitte report and that, in fact, it was the complete opposite. He said, "Management refused to acknowledge the documented unfairness and denied each of the grievances at all stages, often using inconsistent reasoning."

Is this consistent with good-faith negotiations, sir, do you believe?

Mr. CORDRAY. I think there are two things incorrect in what you just laid out and I think incorrect in Mr. Konop's testimony.

The first is you said we didn't act quickly. We acted very quickly. This report was received by the Bureau in the OMWI office on September 30th. It was brought to the executive committee in early November. And by January, we were in bargaining with the union to fix the problem. That is very fast action, particularly on the part of the Federal Government, as you would acknowledge.

Mrs. WAGNER. Why did the union not have any access to or information from this report? This was months, Director Cordray.

Mr. CORDRAY. I don't know about the access to the report, but we put this into bargaining with the union—

Mrs. WAGNER. It was a part of their negotiations that they were in the middle of and you did not even talk about—

Mr. CORDRAY. No. This report has been misunderstood and misused. Okay?

It was an OMWI limited report to get a baseline for the OMWI. If you look at the key findings of the report, this isn't even part of the key findings. That wasn't what it was about.

Mrs. WAGNER. You don't think that this would have been important information during the union negotiations, Director Cordray?

Mr. CORDRAY. What was important information was that we provided information about unevenness in the performance reviews system. We bargained over it. I was fully committed to just scrapping it.

Mrs. WAGNER. Were your employees aware of this—

Mr. CORDRAY. And we did scrap it.

Mrs. WAGNER. Were the employees who were in the negotiations with the union aware of the Deloitte study?

Mr. CORDRAY. I don't know who was aware of the Deloitte report, and when.

Mrs. WAGNER. Were you aware of the Deloitte study?

Mr. CORDRAY. As I said, the report was brought to our executive committee and I reviewed it during—for a meeting in mid-November of 2013.

Mrs. WAGNER. So you were aware of the Deloitte report—

Mr. CORDRAY. And by January, less than 2 months later, we were in bargaining with the union to fix the system and later to remediate employees. You tell me when the Federal Government has ever moved that fast.

Mrs. WAGNER. Well, I will tell you what. I would think that, when you are in the middle of negotiations with your union and you have had for months a report that talks about the difficulties—

Mr. CORDRAY. It was not for months.

Mrs. WAGNER. —why you would not share that information with the union.

Mr. CORDRAY. That wasn't what the report was about. It was one—

Mrs. WAGNER. You don't believe—

Mr. CORDRAY. It was 2 or 3 pages—

Mrs. WAGNER. Do you believe you acted in good faith with your negotiations with the union?

Mr. CORDRAY. It was 2 or 3 pages of a 110-page report. This should not be blown out of proportion here.

Mrs. WAGNER. Blown out of proportion?

Mr. CORDRAY. Yes. What was—

Mrs. WAGNER. Have you read the report, Director Cordray?

Mr. CORDRAY. Yes. Absolutely, I have. And what is relevant is we then embarked on our own analysis. There is a much broader report, the Snapshot report, which was about 30 to 35 pages, where we walk through and detail, and that convinced us that we needed to fix the system.

Mrs. WAGNER. Why, sir, did you wait until the committee discovered the report in May 2014 to admit that the union's allegations were true and then you retroactively compensated employees?

Mr. CORDRAY. I don't think any of that is correct. I don't understand—I don't follow you.

Mrs. WAGNER. Did you retroactively compensate employees?

Mr. CORDRAY. The report was submitted to us at the end of September. It came to our executive committee in early November. By January, we conducted our own analysis, and went into bargaining with the union.

Mrs. WAGNER. And you did not bargain—

Mr. CORDRAY. By March—

Mrs. WAGNER. —with the union with this information—

Mr. CORDRAY. —we decided to scrap the system. And, by May, we decided to remediate the employees. That is fast work. You tell me it is not.

Mrs. WAGNER. I have more questions, but I will yield back the rest of my time.

Mr. DUFFY. The gentlelady yields back.

The Chair recognizes the ranking member of the subcommittee, Mr. Green of Texas.

Mr. GREEN. Thank you, Mr. Chairman.

Mr. Cordray, let's talk for just a moment about the allegations from another perspective.

We have heard any number of complaints and they covered many different areas. But what I would like to know is: How many lawsuits have you actually had filed?

Mr. CORDRAY. We have, as I understand it, had six matters subjected to the Equal Employment Opportunity Commission in 3 years—I'm sorry—four individuals have filed. Two of them filed two complaints each. One was by a former employee, and one was by an applicant. That is the sum and substance of what we have had filed thus far.

Mr. GREEN. And these complaints—concerns of whatever nature have been usually resolved without litigation. You usually acquire

some resolution for the concerns that are called to your attention without litigation. Is that a fair statement?

Mr. CORDRAY. We have had a significant number of grievances. People have not been afraid to speak up and voice their complaints. Very often, we have been able to resolve those grievances in a mediated or legitimate setting without having to go to any kind of litigation. On occasion, that has not been so. But that is certainly our intent wherever possible.

Mr. GREEN. And is it true that you encourage resolution such that people can have their concerns brought to your attention, but, also, resolved?

Mr. CORDRAY. I want to have them resolved. And alternative dispute resolution, mediation, counseling, and other means have been fruitful ways to help people reach a productive result on both sides.

Mr. GREEN. And is it also true that once you acquired a knowledge about the review system, you worked to correct that, that you, in fact, worked with the union on this question of the review system?

Mr. CORDRAY. We did. We took the initiative on this and, with respect to the Congresswoman, we acted very quickly to resolve it. We did not push this in any litigated forum, which could have taken years, which has been true of other agencies, at times. We pushed forward. We addressed it. We thought it was the right thing to do.

Mr. GREEN. And are you still working with the union to resolve issues as they arise?

Mr. CORDRAY. We continue to be in bargaining with the union. We have matters that we are bargaining over now to resolve. We will have another round. That is an ongoing process, and it has been a very productive process.

I think that the NTEU is professional. It deals with a number of different agencies. We are their newest agency. And that has been a way to give a voice to employees and see to it that issues get resolved amicably on both sides.

Mr. GREEN. Have you demonstrated at every point your desire to resolve these disputes and complaints that have been raised? Have you always tried to work with people to resolve their complaints?

Mr. CORDRAY. That has always been my intent. I would say not everything gets done as quickly as I would like. I find it to be a constant source of frustration. Sometimes, I am more involved. Sometimes, I am less involved. I like to see productive, positive results where possible, but I also like to see appropriate results based on the facts and circumstances.

And I know that I have to hear both sides—the agency has to hear both sides and the process needs to get followed to get to appropriate results.

Mr. GREEN. That is exactly where I wanted to go next. You have given me a good segue.

It is easy to hear complaints, to hear one side of a story. But when you try to ascertain what the facts are, you have to hear all sides. That is not necessarily two, it could be three, but you have to hear all sides.



And that process takes a little bit longer than having a congressional hearing. It requires that you do some additional investigative from time to time.

Do you find that trying to get to the bottom of things can require time that might not be thought of as time wasted, that is time well spent, when you try to hear from all sides?

Mr. CORDRAY. Yes. And I have never been a judge myself. I know you have been. But I have been in front of many judges, and I know Congressman Duffy and many of the members of this panel have been in front of judges. And you always want them to take the time to understand both sides and then hope that they will render the fairest decision they can based on the knowledge of the entire matter.

Mr. GREEN. And as you move forward, will you make sure that any of the concerns that are called to your attention, if they get to you—hopefully, they are resolved before they get to you—they are going to receive the kind of attention that you would want your own circumstance to receive if it were before a person who had to deliberate and come to some conclusion?

Mr. CORDRAY. I do. And I want our employees to be treated fairly, and I want these matters to be resolved as quickly as they can be, but reasonably and on a full knowledge of what both sides of the story are or, as you say, sometimes more than two sides of the story would be.

Mr. GREEN. I yield back my time.

Mr. DUFFY. The gentleman's time has expired.

The Chair recognizes the gentleman from Tennessee, Mr. Fincher, for 5 minutes.

Mr. FINCHER. Thank you, Mr. Chairman.

And, Director Cordray, I appreciate you taking time today.

We meet again today, and I am still very frustrated with some things that have been happening. We are talking about discrimination. From what I have read, some of your managers disregard their employees and won't listen to their ideas and experience.

Unfortunately, it seems like the central theme at the CFPB is not listening to those who know more than you. That is certainly something, as you know, we talked about manufactured housing over and over and over has encountered, since they spent countless hours with staff explaining their businesses, only to be left with policies that ultimately hurt consumers.

At the end of the day, it seems as though—and this is so unfortunate—the culture of the CFPB is one where decision-makers are allowed to institute “my way or the highway” policies and you go to great lengths to protect that authority.

So, let me get to the questions.

I have a document here in my hand that shows, on April 17th and April 22nd, the CFPB issued indemnity and reimbursement policies for your managers, which provided that the Bureau will at its discretion reimburse supervisors and managers who have obtained private legal advice and/or representation regarding any actual or potential civil or criminal claim against them related to their informant with the Bureau.

Question: Why did you issue these policies for your managers?

Mr. CORDRAY. It is an appropriate thing that is done in the public and private sectors. It is done with boards of directors of companies where there might be adverse interests. I personally have been hired by the Justice Department when I was a lawyer to handle some matters where the individual might be adverse to the agency. And I think it is an appropriate thing to do.

Mr. FINCHER. Are non-managers, rank-and-file employees, eligible for the indemnity and reimbursement policies?

Mr. CORDRAY. No. And that is also fairly common in companies. Not every employee gets reimbursed. However, they have the union as their representative and they can pursue grievances and they do. And that is appropriate as well.

Mr. FINCHER. Do you understand that employees view this as your decision to protect your managers against their own employees?

Mr. CORDRAY. No. I don't think so. This is a policy that is consistent with public- and private-sector precedent. The Justice Department does indemnification of employees where there are individual interests distinct from that of the agency and it is not something—

Mr. FINCHER. What kind of message, Director, do you think it sends to the employees? This is a pretty big deal, what has happened. What kind of message do you think it sends? None?

Mr. CORDRAY. Having an indemnification policy?

Mr. FINCHER. Yes.

Mr. CORDRAY. I think it sends no more message than private companies that commonly have indemnification policies or insurance policies for board members and other executives. I think it is commonplace.

Mr. FINCHER. But you are not a private company.

Mr. CORDRAY. No. But it is common in larger organizations, and it is a policy that we looked around to look at precedent in the Federal Government as well.

Mr. FINCHER. What other Federal agencies—

Mr. CORDRAY. I can tell you it was also in State Government when I worked in State Government.

Mr. FINCHER. The States are way more efficient than the Federal Government. What other Federal agencies offer blanket indemnity policies for managers and supervisors?

Mr. CORDRAY. I would have to have staff get back to you in terms of what we looked at to arrive at that policy.

Mr. FINCHER. Could you?

Mr. CORDRAY. Yes, sir.

Mr. FINCHER. Thank you.

How many employees have been granted indemnity since these policies were put in place?

Mr. CORDRAY. I don't know exactly. But I would be happy to have staff follow up with you on that.

Mr. FINCHER. How much—

Mr. CORDRAY. It is an increasing number, as the committee digs into more—

Mr. FINCHER. How much money has the CFPB spent or is planning to spend to date on reimbursing employees as a result of the indemnity policy?

Mr. CORDRAY. That may depend on the actions of this subcommittee.

Mr. FINCHER. Taxpayer money. You have no idea?

Mr. CORDRAY. If you end up pushing a number of our employees into a situation—

Mr. FINCHER. We are not pushing anybody, Director.

Mr. CORDRAY. There may be legitimate differences of opinion on that.

Mr. FINCHER. This is clearly a problem that needs to be addressed, when you have these kind of allegations brought against the agency.

Mr. CORDRAY. And to have me here, to have me testify, is the appropriate oversight, I believe. But in any event—

Mr. FINCHER. Do you think you shouldn't be here and have to testify? Do you think you are above that?

Mr. CORDRAY. No. I have been offering to testify in front of the subcommittee from the beginning. I think I am the one who should be here. I am finally here, and I think that is appropriate. And I am glad to be here, and I will be here as late this evening as you need me.

Mr. FINCHER. Good. We just—look, Director, we want to get to the bottom of it.

Mr. CORDRAY. I know.

Mr. FINCHER. It is not personal.

Mr. CORDRAY. I understand.

Mr. FINCHER. And try to fix it.

So with that, Mr. Chairman, I yield back.

Mr. DUFFY. The gentleman yields back.

With the ranking member's indulgence, we are going to do a second round. I know the Director has been kind enough to say he would stay until our questions are answered, and we appreciate that.

With that, I recognize myself for 5 minutes.

Mr. Cordray, it is my understanding that you received Mr. Naraghi's report—it was a summary report—on September 11th of last year.

And then on September 30th, as discussed, you received the Deloitte report, which did discuss racial disparities in pay and performance. I know it was a long report, but some portions indicated that.

Mr. CORDRAY. Certain portions. Yes.

Mr. DUFFY. On November 13th, Mr. Naraghi's report from the defense group also came in. And then, on December 11th, a final report from the DIG group came to the CFPB.

So there was knowledge that—or at least allegations of disparity in pay in regard to race and sex, and we knew that the complaints from Ms. Martin had come in.

What did you do internally, and when, in regard to these allegations that you knew about at the end of last summer at the CFPB?

Mr. CORDRAY. There were two distinct and major, I would say, areas of allegations. One is the performance reviews being unfair and the results being uneven. And that is something that we started looking at as soon as the performance review season for that fis-

cal year closed on October 1st and it led to fairly fast action of us deciding to scrap the system and remediate employees.

On the other issue of pay equity, we had determined that, in the early going at the Bureau, we didn't have any kind of database for comparing salaries or anything more systematic of that sort. And we determined there were pay inequities at the Bureau. And we set up our own process last year to adjust pay for inappropriate cases for employees, and we have done that dozens of times.

Mr. DUFFY. Hold on one second.

Because not only did—because you claimed that, yes, one of the issues was the system. But you also had information coming from the DIG report and from Ms. Martin that there were some managerial issues as well, which you may dispute. I understand that you don't agree with that. But those allegations had come in.

So my question is: Was there an internal investigation, an internal process, at the CFPB to go, "Hey, we have some red lights out there. Let's analyze the complaints that have been made by Ms. Martin and by these reports, and let's find out internally what is happening?" Did you do that? Yes or no?

Mr. CORDRAY. We did. And we are still doing it.

Mr. DUFFY. And when did you start that?

Mr. CORDRAY. I beg your pardon?

Mr. DUFFY. When did you start that analysis?

Mr. CORDRAY. The first issue was we commissioned the DIG report. It didn't spring from someone else. We commissioned it.

Mr. DUFFY. I am talking about internally.

Mr. CORDRAY. It was—internally, we sought an external report to give us credibility. It was not a credible report. It was poorly done.

Mr. DUFFY. You did not—

Mr. CORDRAY. We now, as a result, have had to reopen that investigation.

Mr. DUFFY. I find it odd that, if you see these issues that these reports lead you to believe and you get complaint from employees—

Mr. CORDRAY. No. No.

Mr. DUFFY. —that you wouldn't do an internal investigation. And that is fine.

Mr. CORDRAY. Nothing—

Mr. DUFFY. I agree that you haven't done one, because we have asked for correspondence from inside the agency and you haven't sent us any information in regard to an internal—

Mr. CORDRAY. It is just not an accurate chain of events. We commissioned a report. It was poorly done. It was not a credible report. That is the DIG report. It has forced us to go back and recommit an investigation—

Mr. DUFFY. A new report.

Mr. CORDRAY. —which we have ongoing right now.

Mr. DUFFY. Let's talk about the new report, because the seeker of truth, Mr. Cordray, who said, "The DIG report, the Deloitte report, all don't work very well for me. I don't like the results. The allegations that are made by Ms. Martin, I don't like those either. So let me go get an unbiased report."

Mr. CORDRAY. No. No. That is not an accurate picture of events.

Mr. DUFFY. "So I am going to go to an individual by the name of Stanley Foster. And Mr. Stanley Foster is going to lead this investigation because I want purity and clarity in the investigation."

Mr. CORDRAY. That is just not an accurate picture of events. If you want me to clarify for the record, I will.

Mr. DUFFY. I want to ask you a question.

You are a Democrat. Mr. Pluta, where the allegations have been made from Ms. Martin, is a Democrat. And I think Ms. Martin is an Democrat, maybe an Independent. I don't mean to call her out for her party affiliation.

Mr. CORDRAY. That has no place with our agency.

Mr. DUFFY. Yes, it does, because—

Mr. CORDRAY. No, it does not.

Mr. DUFFY. —Mr. Foster gave \$12,250 to Democrats since 2008 and gave \$6,000 to the Obama campaign. He didn't do any work for the Federal Government—

Mr. CORDRAY. I have no idea about any of that, and that is just a smear to bring that into—

Mr. DUFFY. I gave you—

Mr. CORDRAY. —this kind of discussion. I mean, honestly.

Mr. DUFFY. Before 2009, he had no Federal contracts, but since 2009, he has \$1.1 million in various Obama Administration agency contracts.

Mr. CORDRAY. I don't know anything about that.

Mr. DUFFY. If you want to come to this agency, Mr. Director, and tell us, "We now want an independent analysis on the internal workings within the CFPB because we don't like the results of the DIG report, we don't like the Deloitte report, we don't like Ms. Martin's report."

Mr. CORDRAY. No. That is not accurate.

Mr. DUFFY. "So now I am going to have"—

Mr. CORDRAY. None of that is accurate. I never said I didn't like the Deloitte report.

Mr. DUFFY. —"a political operative with Stanley Foster"—

Mr. CORDRAY. We have acted on the basis of the Deloitte report.

Mr. DUFFY. "Stanley Foster is going to come forward and do the unbiased report for us." And he is a donor to the Democrat party and the Obama Administration, and you want us to believe that is going to be fair, Mr. Director.

Mr. CORDRAY. Do you just want to tell a story or do you want me to respond and set the record straight? Which do you like?

Mr. DUFFY. I have asked you to answer the questions.

Mr. CORDRAY. Which do you like? We did not dispute the Deloitte report. We have acted on the basis of the Deloitte report. So that is inaccurate. The DIG report was not credible and poorly done, as the company itself acknowledged, and therefore had to be thrown out. We now have another investigation going. I wish it had been done sooner. But if the DIG report hadn't been problematic, it would have been done at that point. That is where we stand.

Mr. DUFFY. Why a Democrat operative?

Mr. CORDRAY. I don't know whether they are Democratic operatives or not. I honestly don't have the slightest idea. And that doesn't enter into anything done at the Bureau.

Mr. DUFFY. Mr. Cordray—

Mr. CORDRAY. It enters into nothing done at the Bureau.

Mr. DUFFY. —a three-person law firm as a Democrat contributor and you are saying you don't know that? You are smarter than that.

Mr. CORDRAY. I don't know. It is a procurement process. It is a legitimate process. All of our processes are done through the government process.

Mr. DUFFY. My time has expired.

Mr. CORDRAY. You can disbelieve it if you want, but that is the nature of the—

Mr. DUFFY. With that, my time has expired.

The Chair now recognizes the ranking member of the full committee, Ms. Waters from California.

You are recognized for 5 minutes.

Ms. WATERS. Thank you very much, Mr. Chairman, and members.

Allegations were made against the Consumer Financial Protection Bureau, and my friends on the opposite side of the aisle have started this investigation with subpoenas and all of that.

And, of course, on our side of the aisle, we welcome the opportunity to investigate areas of discrimination such as have been alleged. But this has turned into a circus.

This committee has taken it upon itself, led by the Republicans, to attack the Consumer Financial Protection Bureau in everything that they can bring up, everything they can think of, and it is getting almost comical.

We recently, just a few minutes ago, heard from the gentleman on the opposite side of the aisle questioning about indemnification policy.

Now, on the one hand, Mr. Cordray and the Consumer Financial Protection Bureau are being hammered about the allegations of discrimination, basically accusing the Bureau of discrimination above and beyond the allegations that have been made, but on the other hand, questions about protecting the workers with indemnification policies, because somehow they are alleging or, basically, concluding that is an unnecessary expenditure that should not be done, there is something unusual about that.

What else can you find to ask Mr. Cordray about?

This has turned out to be not a straightforward investigation or oversight responsibility in the proper way that could be done, but, rather, what is commonly referred to as a witch hunt.

So, first, I would like to say to Mr. Cordray, you know that on this side of the aisle we are concerned about getting at the problem, and I think you understand and appreciate our responsibility to do that. But I want to say to you that I hope that you are not in any way intimidated by the attacks that are being made from the opposite side of the aisle.

I think you have conducted yourself splendidly. I think that you have come up with responses to the allegations and you are doing everything that you possibly can to ensure that OMWI, that part of the operation that I had something to do with, as you said, based on Dodd-Frank—and so I do not want you, again, to be intimidated or threatened in any way, that the attack is one that we will join in with as we do our oversight responsibilities.

And I do not want you to discontinue your efforts to make sure that you have the kind of Bureau where every human being is respected and every human being is dealt with fairly.

Now, having said that, would you tell the opposite side of the aisle one more time what you have done to correct some of the problems that have been encountered or that have been unveiled?

What have you done to make sure that people are compensated, that they are treated fairly, and that it doesn't happen again? Would you just use the next minute or so to try and do that.

Mr. CORDRAY. Thank you, Congresswoman. I don't mind tough oversight. I have been used to it in this Congress, and I appreciate it, actually. I do like an occasional opportunity to set the record straight if I am given the opportunity.

First of all, for our performance review system, we determined that there were issues and concerns there about fair treatment of our own employees. We took the initiative.

We have scrapped that program based on the Deloitte report, which we took seriously. Although it was just a piece of the Deloitte report, we did our own further detailed analysis to come to our own conclusions. And we are remediating employees around that system.

We have changed the management structure of the Bureau to create more conscious focus on the issues of ongoing culture and equity and fairness. And we have made other changes, such as considerably more training for the managers, and counseling, and other types of things that I think are needed and appropriate.

We also are trying to give the processes for adjudicating individual employee disputes and grievances the opportunity to work, make sure that those are worked through, that they are resolved appropriately, when other process needs to go on beyond that to anywhere else, that is followed appropriately and scrupulously.

Mr. DUFFY. The gentlelady's time has expired.

The Chair now recognizes the gentleman from Illinois, Mr. Hultgren, for 5 minutes.

Mr. HULTGREN. Thank you, Mr. Chairman.

Director Cordray, I would like to discuss Angela Martin's new settlement. According to news reports, I hear she received a lump-sum payment and a new assignment as a military affairs liaison outside of D.C. In exchange, she agreed to drop all of her claims against the Bureau.

On June 18th, Chairman McHenry asked you why, in light of this settlement, the Bureau continued to employ Scott Pluta. You responded that you "have no basis for disciplining Scott Pluta" and that Ms. Martin's allegations against him have not been proven.

I find this interesting and want to understand the Bureau's position regarding settlement agreements.

Looking at the press release for 2 of your most recent enforcement actions, on July 10th, you announced settlement with ACE Cash Express. In your release, you say that ACE used false threats, intimidation, and harassing calls to bully payday borrowers into a cycle of debt.

Here is another from April 9th: You announced a settlement with Bank of America. You say Bank of America both deceived consumers and unfairly billed consumers for services not performed.

Both cases settled before they went to court. And although both cases involved lump-sum payments, the consent orders both stipulate that neither company admit wrongdoing.

My question, Mr. Director, is: How can you have it both ways? Is it fair to claim that companies have engaged in unproven wrongdoing when you are a plaintiff, but it is unfair to lead to conclusions when the tables are turned?

Mr. CORDRAY. Yes. I don't think the two are comparable at all. When we resolve these matters after the differences that both of the cases you described and no apologies for us being tough on behalf of protecting consumers, that is our job, as I see it. But at that point in those cases, we have engaged in a full investigation of the facts, often extensive depositions, document review, and really gotten at the facts. Often, it has been based on an examination that preceded the examination, and those facts are pretty well-established. That is the difference between the two.

Mr. HULTGREN. Let me ask you about this.

Mr. CORDRAY. Mere allegations, on the other hand, are something different. Okay.

Mr. HULTGREN. Moving on, my time is going by quickly. Did you have a chance to watch the video from our hearing on April 2nd with Angela Martin?

Mr. CORDRAY. I did. I have watched all of the subcommittee hearings.

Mr. HULTGREN. Did Angela Martin lie to Congress?

Mr. CORDRAY. I have no reason to have a point of view on that one way or the other. I don't have any particular instance that—

Mr. HULTGREN. So watching the video, you didn't see that she had lied to Congress? There was nothing—

Mr. CORDRAY. There was a lot talked about in the hearing about matters of which I don't have complete knowledge or full knowledge. So it is kind of useless to ask me that. But I have no reason to—

Mr. HULTGREN. You will not really answer whether she lied or not lied, nor will you—

Mr. CORDRAY. I am not going to characterize any of my employees as lying. I don't understand why that is helpful and I do not—

Mr. HULTGREN. Let me go on to this, then.

On April 17th, you issued a new EEO policy for employees, announcing that you had zero tolerance for workplace discrimination and retaliation.

You stand by that policy, don't you?

Mr. CORDRAY. That is very much my policy. Yes.

Mr. HULTGREN. Then, why has your office done nothing to hold Scott Pluta accountable for his actions? Why has no manager been disciplined by the Bureau for discriminating or retaliating against employees?

Does this encourage an unhealthy and unaccountable management culture that has resulted in widespread maltreatment of employees? Do you believe you owe Angela Martin and others an apology for the way that they have been treated?

Mr. CORDRAY. What you are talking about are allegations. Okay? One side of a story. All right? It may be comfortable for you to



jump to conclusions about scapegoating people, but I can't do that, as the head of the Bureau.

Mr. HULTGREN. There was a settlement here. There was something there. If there weren't facts to it, if there wasn't truth—

Mr. CORDRAY. Something there was—

Mr. HULTGREN. Sadly, you have done nothing to hold them accountable.

Mr. CORDRAY. Something there was to reach a productive result for Ms. Martin, which I believe—

Mr. HULTGREN. I think a productive result for your employees would be hold those who are responsible accountable. We are seeing nothing to hold Scott Pluta accountable.

Mr. CORDRAY. If there were a basis for doing so, I would do so. But I am not going to scapegoat people just to satisfy you or anyone else. I am not going to do that. It is not appropriate.

Mr. HULTGREN. I am not asking you to satisfy me, although you are responsible to my constituents—that is who I am representing up here—but, also, people who are struggling with much of what the Bureau is doing.

Let me get to one last thing in the last minute that I have.

Mr. CORDRAY. And benefiting by it as well, I would say.

Mr. HULTGREN. In my hands, I have one last email you sent to Bureau employees on April 7th. In the email, you say you watched the April 2nd hearing in its entirety and describe the congressional oversight process as painful at times. Incredibly though, you use the same email to single out Scott Pluta for special thanks.

Mr. Director, what kind of message do you think your email sends to employees when you acknowledge watching Angela Martin's testimony and then thank the very manager who retaliated against her? What kind of culture do you think this engenders at the Bureau?

Mr. CORDRAY. I try to treat my employees the same way we will treat financial institutions—commend them on things they do well, and criticize them on things they don't do well, and treat them fairly based on the facts. That is my hope and intention, and that is the way I have always treated employees at local, State, and Federal levels of government.

Mr. HULTGREN. It doesn't seem like it.

Mr. CORDRAY. You disagree.

Mr. HULTGREN. My time has expired. I yield back. Thank you, Mr. Chairman.

Mr. CORDRAY. I guess you have a different viewpoint based on a few hours of hearing allegations. That is all you have to go on.

Mr. DUFFY. The gentleman's time has expired.

Mr. Green has advised me that he wants to reserve his time, so I am not being unfair.

The Chair recognizes the gentleman from Kentucky, Mr. Barr, for 5 minutes.

Mr. BARR. Director Cordray, I want to follow up on the last set of questions that we were talking about, the indemnification policy within the Bureau.

As Mr. Fincher noted, earlier this year, in April, you issued an indemnity and reimbursement policy for your managers.

I think your testimony earlier was that the taxpayer is paying for these lawyers that you are hiring to defend your managers. Is that right?

Mr. CORDRAY. It is something that I have seen done in State Government, local government, Federal Government, and private sectors.

Mr. BARR. Yes, sir.

I heard that testimony, and that is no doubt the case. You say it is common in private companies to have these indemnification policies. What is different here is that the taxpayers are paying for it.

And let me just ask you this: How many lawyers work at the Consumer Financial Protection Bureau?

Mr. CORDRAY. A number work there, but that doesn't meet the situation. As I told you, I have been hired by the Justice Department to represent individuals when they are—

Mr. BARR. Right.

Mr. CORDRAY. —when their interests are adverse to the organization.

Mr. BARR. But do private companies typically—

Mr. CORDRAY. And so, you can't have any of the lawyers—

Mr. BARR. In carrying out their indemnification policies, do private companies hire the most expensive lawyers in America?

And, with all respect, this is a very fine law firm. Your manager hired the co-chairman of the department over there at Akin Gump. He is listed as a Super Lawyer, the best lawyers in America for criminal defense, white collar. He is the co-leader of the firm's white-collar defense and corporate investigations practice.

He has represented a U.S. District Judge, a former U.S. Attorney, two U.S. Senators, and a senior Member of the U.S. House. He represented major league baseball in investigations of Pete Rose. So you hired a pretty darn good lawyer from a pretty darn good law firm.

And the taxpayer is paying how much on an hourly rate for this lawyer?

Mr. CORDRAY. Sir, I am just trying to wrap my mind around the premise of your question, which as I recall was do I think that private companies hire the most expensive lawyers in the country. And my answer is who else do you think else hires the most expensive lawyers?

Mr. BARR. I am just wondering—

Mr. CORDRAY. They do.

Mr. BARR. I am just wondering, with all of the lawyers in your agency, why you devote so much of scarce taxpayer resources to defending managers who are accused of retaliation?

And, by the way, you don't provide lawyers to the rank-and-file employees of the Bureau who are alleging the retaliation. Again, the culture of this seems very toxic.

Mr. CORDRAY. You have completely misunderstood the point. Okay?

First of all, the lawyers in the Bureau can't represent Bureau employees in matters where they are potentially adverse to the Bureau. They are just all disqualified from that. That is not in the cards.

Second, the employees have a union that represents them in grievances. They have lawyers that they use to represent them.

Mr. BARR. I bet the union doesn't have the resources to hire the top lawyer and top law firm in the country.

Mr. CORDRAY. I don't know about individual hiring choices. I am not involved in that.

Mr. BARR. At any rate, let's talk about—

Mr. CORDRAY. The point is, people have representation. They are entitled to it.

Mr. BARR. Sure. But your agency is full of lawyers.

But, anyway, whistleblowers—how you treat whistleblowers is an important issue. And the Bureau's official congressional inquiry policy says, "CFPB staff shall confer with CFPB's Office of Legislative Affairs in advance of providing any internal documents or any information to a Member of Congress or congressional staff." I assume that would be this investigatory subcommittee.

Also, "The policy has no exception for whistleblowers." Again, what kind of message does that send to your employees that if they are going to be a whistleblower, before they come to us investigating these matters, they have to check in with management.

Mr. CORDRAY. I don't think that is the case. I think you have had plenty of people come to you and they haven't had to check with our legislative office in advance.

Mr. BARR. Well, that is your policy.

Mr. CORDRAY. No. No. You are just taking that out of context.

Mr. BARR. Am I?

Mr. CORDRAY. I don't know.

Mr. BARR. It says, "CFPB staff shall confer." "Shall." "Mandatory."

Mr. CORDRAY. And the people who came to you, did they check with our legislative office first? Do you even know whether they did or didn't?

Mr. BARR. Did they violate your policy?

Mr. CORDRAY. What is that?

Mr. BARR. Did they violate your policy?

Mr. CORDRAY. No. Have there been any actions for violations of the policy? Do you know of any?

Mr. BARR. No. Do you know of any—let's just—

Mr. CORDRAY. Or is this just purely hypothetical?

Mr. BARR. To your question, let me just read to you what one of the anonymous whistleblowers says to us: "I am writing an anonymous statement to inform the committee of my experiences. I am writing to you anonymously because, if I were to use my name, I fear that I would be singled out for continuing retaliation by current managers at CFPB. Other African-American employees have told me they would like to come forward, but they know that they would be targeted for retaliation if they were to do so."

So, again, I think that the fact that you are hiring expensive lawyers to defend your managers, the fact that you have a policy that rank-and-file members have to come and check in with you—

Mr. CORDRAY. No. No. You are just not understanding my point. Maybe it is on purpose. I don't know. But the lawyers at the agency cannot represent the agency in matters where there is potential conflict with the agency. I am sure that—

Mr. DUFFY. The gentleman's time has expired.

Mr. BARR. The fact that you are hiring the most expensive law firm—

Mr. DUFFY. The gentleman's time has expired.

Mr. CORDRAY. In terms of the document you just read from, I am not sure what it is. It has never been shared with me. How would I have any idea what—

Mr. DUFFY. The gentleman's time has expired.

The Chair now recognizes the gentleman from Pennsylvania, Mr. Rothfus, for 5 minutes.

Mr. ROTHFUS. Thank you, Mr. Chairman.

Director Cordray, earlier, when Congressman Duffy started his questions, he asked you a question about a statement that Mr. Scott Pluta had made, and he asked you a pretty straightforward question, whether or not you agreed with Scott Pluta's characterization of the work of this committee as "political theater."

You did not say, "I agree with that." You did not say, "I disagree with that." You did not say, "Yes." You did not say, "No." You said, "I hope that would not be the case."

Mr. CORDRAY. That is my view. I hope that would not be the case.

Mr. ROTHFUS. Is this hearing today political theater?

Mr. CORDRAY. I hope that would not be the case.

Mr. ROTHFUS. That is a yes-or-no question.

Mr. CORDRAY. It is just a matter of vague opinion that someone might give. I don't know what to say about that.

Mr. ROTHFUS. You told Congressman Hultgren that you watched Angela Martin's testimony.

Mr. CORDRAY. I have watched all the subcommittee hearings, so I obviously take them seriously and consider them to be oversight.

Mr. ROTHFUS. The question for you is: Was Angela Martin's testimony political theater?

Mr. CORDRAY. As I said, I paid attention closely myself to the subcommittee hearings. This is oversight of my agency. I am the responsible party to the agency.

Mr. ROTHFUS. This is frustrating.

Mr. CORDRAY. I don't regard—

Mr. ROTHFUS. Are you aware of whether any of your senior managers commenting on our oversight efforts said, "Congress can't do s---"—I am not going to say the word because I don't want my kids—

Mr. CORDRAY. Sir, I don't know where this is coming from. I have never heard this before. Is this an allegation? Is this somehow documented evidence? What are you referring to?

Mr. ROTHFUS. This is what we are hearing, that—and the fact that you wouldn't say that you don't think that Angela Martin's testimony was political theater—I am trying to understand the culture of what is going on at the CFPB.

And we have somebody saying, one of your senior managers saying about our oversight efforts, "Congress can't do s---," blank, four-letter word.

Are you aware of them—anybody ever saying that?

Mr. CORDRAY. I am not. So you are just saying something that I have no idea whether it has any basis in fact or is, in fact, true.

Mr. ROTHFUS. Does the Federal Reserve Inspector General have independent access to your email servers?

Mr. CORDRAY. Yes. I believe so. I don't know that they have been actively engaged in overseeing it.

Mr. ROTHFUS. We will ask you to follow up on that because, if they don't have independent access, I am going to ask you to commit to providing the Fed Inspector General with independent access—

Mr. CORDRAY. Certainly, as I have said, I take congressional oversight very seriously, and I am the responsible party for it. I would hope that it would not ever degenerate into political theater.

It was the case today, I was told on the way over here, that some document that I have never seen, some 20-page document, was leaked by someone to the media, a half-hour before the hearing, designed to make the Bureau look bad, and not shared with us so that we could do anything about it.

Mr. ROTHFUS. Ms. Martin testified—

Mr. CORDRAY. So that doesn't strike me as part of the process.

Mr. ROTHFUS. Let me ask you this: Ms. Martin testified that the intake section within the Office of Consumer Response was known as the "plantation" because most, if not all, of the employees within that section were African-American.

Prior to Ms. Martin's testimony, did you ever hear that phrase used to describe any office at the Bureau?

Mr. CORDRAY. No. I never had. And I want to say a couple of things because that has been misused and misinterpreted.

There have been suggestions that management referred to the unit as that. That has never been the case, as far as I can tell.

There are also allegations that people in that unit never get a chance for advancement, never get a chance for promotion. That is factually false.

There have, in fact, been about 50 promotions of people in the intake section, several of them multiple times—

Mr. ROTHFUS. Do you deny—

Mr. CORDRAY. So the factual testimony there was erroneous.

Mr. ROTHFUS. Do you deny that people use the term "the plantation?"

Mr. CORDRAY. I don't know one way or another about that.

Mr. ROTHFUS. So you have taken no action to investigate the use of that term?

Mr. CORDRAY. What was said was—and just listening to the testimony—that this was a unit where people were stuck there and had no chance to advance and that somehow—

Mr. ROTHFUS. You never heard it referred to as the "plantation?"

Mr. CORDRAY. Not until that hearing. No.

Mr. ROTHFUS. Did you take any action after you heard that to ask questions about whether—

Mr. CORDRAY. Yes, I did. I did. And what I found is, what was alleged in that hearing was, "Gee, nobody ever gets promoted. Nobody ever has a chance to advance. They are just kind of stuck there." That is not true.

Mr. ROTHFUS. Have you told people at the CFPB—

Mr. CORDRAY. People have been promoted to management. People have been promoted outside—

Mr. ROTHFUS. —not to use language like that?

Mr. CORDRAY. I'm sorry?

Mr. ROTHFUS. Have you told people at the CFPB, your managers, never to use language like that? Anybody?

Mr. CORDRAY. Both that and the other allegation that cannot be substantiated. It is hearsay about the—

Mr. ROTHFUS. Why was Dennis Slagter removed as head of the Office of Human Capital?

Mr. CORDRAY. Beg your pardon?

Mr. ROTHFUS. Why was Dennis Slagter removed as head of the Office of Human Capital?

Mr. CORDRAY. That was a personnel move within the agency to a different position that really had nothing to do with this.

Mr. ROTHFUS. Was he demoted?

Mr. CORDRAY. I don't believe he was. It was a different move within the agency. It had nothing to do with this.

Mr. DUFFY. The gentleman's time has expired.

The Chair now recognizes the gentleman from Texas, Mr. Green, the ranking member of this subcommittee, for 5 minutes.

Mr. GREEN. Thank you, Mr. Chairman.

Mr. Cordray, do you think that we should treat the regulated the same way we treat the regulators, meaning do you think we ought to be fair to everybody?

Mr. CORDRAY. I do think that is one of the premises that underlined these hearings as they began, which is that we should treat our own employees the same way we treat the industry in fair lending matters. And I embrace that, which is, in part, why we ended up changing our performance review system and remediating employees just as we would do with a company that we felt was potentially having issues with the fair lending laws.

Mr. GREEN. I think that Congress should be fair to regulators and the regulated alike. We have had extensive hearings with reference to the CFPB. I believe you have appeared more than 50 times, and you have addressed any number of questions from various areas of concern that, quite frankly, many were not things that you had knowledge about. You weren't privy to what actually happened, but you have done your best to address these things.

And because I think it is fair to address the regulated to the same extent that we address the regulators, I would ask: Do you think that we would have the top person at Goldman Sachs sitting here addressing questions about sexual assault at Goldman Sachs, as has been alleged? Just an allegation.

Do you think we would have the top person at Goldman Sachs here to address how Goldman Sachs' employees and managers mock the intelligence of women?

Do you think that we would have the top person at Goldman Sachs seated here before the full committee addressing issues about pay and how women are alleging that they are receiving less pay for the same work that men are doing? Just an allegation.

Do you think that we would have the top person at Goldman Sachs appearing before Congress to ask about social activities that take place at bars and clubs after hours, about escort services, about people who are hired to come to parties? These are allegations.

These allegations relate to an entity that comes under the purview of the jurisdiction of this committee.

I am honored that my friends have said that they want to get to the bottom of discrimination and they have said in words, perhaps not as explicit as I am about to say, that this is not singling out the CFPB. This is not about trying to bring down the CFPB. They have made it clear that they want to get to the bottom of these allegations of discrimination.

So since we want to be fair in Congress—and I believe we do—I have asked that we bring someone before this committee so that we can start to talk about some of these allegations at Goldman Sachs. It seems fair to me that Goldman Sachs would be treated the same way the CFPB is being treated.

I haven't heard Goldman Sachs complain about the way the CFPB is being treated. As a matter of fact, I haven't heard any of the regulated complain about the way these hearings are taking place. I would assume that, since they are not complaining, perhaps they are acquiescing, at minimum, and they find reason to think that these hearings are not totally inappropriate.

So, we have sent a letter. And I am going to ask at this hearing and I will be asking at future hearings, "Where are we on the Goldman Sachs case? When are we going to hear not only about the regulators, but also the regulated?"

Invidious discrimination ought not exist anywhere. We ought to do all that we can to eliminate it everywhere. We have worked with you, and I trust that we will be working with some of these other regulated entities, including Goldman Sachs.

Mr. DUFFY. The gentleman's time has expired.

I would join the ranking member in asking that both the CEO of Goldman Sachs and President Obama come to this committee and explain the allegations of paying women less in their organizations.

Mr. Cordray, thank you for being here today.

Mr. GREEN. Mr. Chairman, if I may, since you referred to my comments—and I appreciate your kind words—let me just accept your invitation to have the CEO of Goldman Sachs appear.

Mr. DUFFY. How about the President?

Mr. GREEN. I will be more than honored to address issues related to the Presidency, but our committee doesn't have jurisdiction over the President. We have jurisdiction over Goldman Sachs, however.

And since you have connoted and indicated that you are amenable to doing this, I would like for the record to reflect it, and I would like for you and other Members to work with you to see if we can't get started and see if we can't get Goldman Sachs here.

Mr. DUFFY. And I will join you when we bring the President in as well, both of them, with the allegations of paying women unfairly.

With that, Mr. Cordray, thank you for coming in today.

We trust that anyone else who comes forward before this committee would not be retaliated against by the CFPB. Do I have your commitment on that? I am sure from your testimony today the answer to that would be "yes."

Mr. CORDRAY. And that has been what you have seen over the last few months since others have testified.

Mr. DUFFY. And the answer is “yes?” No one else will be retaliated against?

Mr. CORDRAY. The answer is “yes.”

Mr. GREEN. Mr. Chairman, if I may, a point of inquiry. It appears that we have gone into a third round of questioning—

Mr. DUFFY. I will just—

Mr. GREEN. Just equal time, Mr. Chairman. That is all I ask.

And with that request, let me suggest that—back to the comment about Goldman Sachs and the President, again, we have—

Mr. DUFFY. I gave you—

Mr. GREEN. This would be my time. This would be my time—

Mr. Duffy. I gave the ranking member—

Mr. GREEN. I understand. But I was tolerant. You entered into a third round. So let us continue.

Mr. DUFFY. If you want to do a third round, we can do a third round. But I gave you time—

Mr. GREEN. We can do as many rounds as you would like, Mr. Chairman, but let me be fair to myself. I will not tolerate unfairness against myself. In fairness to me, I want to make the record clear.

We have jurisdiction over Goldman Sachs. We don’t have jurisdiction—this committee has jurisdiction over all of the financial entities that are regulated. And I think that we ought to bring Goldman Sachs in. I am pleased that you agree—

Mr. DUFFY. I would disagree, that we don’t have jurisdiction over the CFPB and the Administration.

But let’s leave that alone. Maybe we can talk about that after the committee hearing.

Thank you for coming in, Mr. Cordray.

The Chair notes that some Members may have additional questions for this witness, which they may wish to submit in writing. Without objection, the hearing record will remain open for 5 legislative days for Members to submit written questions to this witness and to place his responses in the record. Also, without objection, Members will have 5 legislative days to submit extraneous materials to the Chair for inclusion in the record.

With that, the hearing is adjourned.

[Whereupon, at 6:05 p.m., the hearing was adjourned.]



# **A P P E N D I X**

July 30, 2014

**Testimony of Richard Cordray**  
**Director, Consumer Financial Protection Bureau**  
**Before the House Committee on Financial Services**  
**Subcommittee on Oversight and Investigations**  
**July 30, 2014**

Chairman McHenry, Ranking Member Green, and Members of the Subcommittee, I am glad to be here today to address certain personnel and management matters at the Consumer Financial Protection Bureau.

Although I am the Director of the Bureau and I am the one who is squarely responsible to you for its oversight, the many significant accomplishments of this new agency are achieved not by me but by my dedicated and talented colleagues. In just three years, they have formed a strong team that is busy improving everyday life for consumers all over this country, in each of your congressional districts. They have taken enforcement actions that put more than \$4.6 billion back in the pockets of millions of American consumers. They have adopted new mortgage rules, as required by Congress, to make the world's largest single consumer financial market safer for consumers and for our economy. I am proud of our Consumer Response team, which so far has handled over 400,000 complaints, secured both monetary and non-monetary relief on behalf of many consumers, and constructed a public database of complaints that is generating more careful focus on customer service at our larger banks and financial companies.

At the same time, the strong CFPB team has also been doing all the work necessary to build a brand-new federal agency from the ground up. That work has not been easy, and some of the working conditions have been especially difficult for people. We have been consistently short-staffed, and working space had been challenging. Management structure had to be developed from scratch, and for a long time employees have not had settled expectations around key matters like performance reviews, pay adjustments, and promotions, which created some anxiety. Looking back, I can also see that we felt tremendous pressure. We were created in the wake of the largest financial crisis since the Great Depression and there were high expectations amongst the public and aggressive goals set for us by Congress. From the beginning, I believed that it was extremely important for us to get things done, to show clear progress, and to deliver on our promise to make things better for American consumers. All of that increased the workload and made it harder for everyone to cope with the demands of this new situation.

I take very seriously the concerns aired at your previous hearings about the Bureau's work environment. I am committed to ensuring that all Bureau employees are treated fairly and that they receive the respect and dignity they deserve. Across the board, they are highly dedicated to public service and to the mission of this agency. In turn, I want them to be in position to do their best work and to be able to see that they are making a difference to the future of this country.

Because of the speed with which we tried to build this new agency, we have found that we did not get everything right for our own employees. One especially sore spot was the system for reviewing and assessing the performance of CFPB employees. During the second year we had that system, we heard complaints and concerns from employees about it. After we had completed the second year of performance reviews, we began to analyze the numbers in more

detail, and we found that many different categories of employees were seeming to be treated unevenly. Whether the distinction was headquarters versus field, or one part of the Bureau versus another, or bargaining unit versus non-bargaining unit employees, or other categories like age and race, we perceived that the review system was creating differential outcomes that indicated the system was unsatisfactory and not working out as intended. Notably, about half of our employee grievances filed to date have concerned performance reviews.

Having recognized these issues, we took decisive and comprehensive actions to address them. We self-initiated a more detailed analysis that ultimately showed ratings disparities across a wide range of employee characteristics, which you have seen in the form of the Snapshot report that we released earlier this year. We also put on the table in our union negotiations whether to discard the system, which we agreed to do after bargaining over it. For the next two fiscal years, we will be moving to a new, two-level performance review system, and we have agreed to a joint working group with our union to design a new system to use after that. We also announced that we would adjust prior performance-related compensation for the two years during which our employees may have been adversely affected by the flaws in the prior system. By self-correcting and self-remediating disparities in our performance ratings, we are holding ourselves to the same standards of fairness that we expect from the financial industries we oversee.

Although the Bureau has had good diversity numbers around hiring and contracting, we need to focus more consciously on how to improve our culture, so that diversity and inclusion are more deeply ingrained in our everyday work life. To that end, I have elevated our Office of Minority and Women Inclusion to work directly out of my office and tasked the head of OMWI, Stuart Ishimaru, with conducting dozens of Bureau-wide listening sessions to hear directly from our employees about their experience with equality and fairness. Hundreds of our colleagues have participated in these sessions and we are listening closely to learn more about how to set a better direction for the future and to achieve some of the goals that I have touched on here today.

Chairman McHenry and Ranking Member Green, I am here today because I know you have been seeking to ensure Congressional oversight of this agency and these issues. As the sole Director of the Bureau, I am the responsible party to work with you in providing such oversight. Other issues have arisen involving individual allegations that are part of employee grievances and complaints. Like other federal agencies, the Bureau has an Equal Employment Opportunity complaint process and a grievance process for employees to initiate and seek resolution of any allegations of discrimination and harassment. It is important that those processes be able to work, that individual privacy and due process rights protected by federal law can be respected, and that both sides of every story can be heard and considered and assessed accordingly. Public discussion of those individual matters may have a chilling effect that prejudices individual rights and undermines the integrity of the legal process. For this reason, I must be very careful in speaking about any ongoing personnel matters in this public hearing. We take each of these allegations very seriously and we will continue to work diligently to resolve any issues through all appropriate channels.

Thank you for the opportunity to make this statement, and I would be happy to answer your questions.

JEB HENSARLING, TX, CHAIRMAN

United States House of Representatives  
 Committee on Financial Services  
 2129 Rayburn House Office Building  
 Washington, D.C. 20515

MAXINE WATERS, CA, RANKING MEMBER

July 18, 2014

The Honorable Gene Dodaro  
 Comptroller General of the United States  
 U.S. Government Accountability Office  
 441 G Street, NW  
 Washington, DC 20548

Dear Mr. Dodaro:

We are writing to request that the Government Accountability Office (GAO) study organizational culture and personnel management issues at the Consumer Financial Protection Bureau (CFPB).

As you may know, the Subcommittee on Oversight and Investigations of the Financial Services Committee has held three hearings examining allegations of discrimination and retaliation against CFPB employees. Ever since the Subcommittee began its investigation into these allegations, dozens of CFPB employees have come forward to share their concerns with Committee staff. Many such whistleblowers do not wish their identities be made public for fear of reprisal by CFPB managers. Testimony received by the Subcommittee strongly suggests a dysfunctional work environment for many CFPB employees and a malignant management culture that seeks to protect its own at the expense of rank-and-file employees.

Based on its oversight of the CFPB, the Subcommittee has reason to believe that:

- An intake section within the CFPB Office of Consumer Response is referred to as "the plantation";
- Director Richard Cordray personally intervened in an employee's EEO case and instructed her to "get her attorneys to back down";
- An individual with access to CFPB employee personnel matters leaked confidential information to a newspaper in advance of a Subcommittee hearing in an apparent attempt to undermine the credibility of a whistleblower;
- Senior CFPB leaders called a private company to threaten legal action in an apparent effort to discourage the company's former employee from testifying before the Subcommittee;
- Another CFPB manager, through counsel, sought to silence a whistleblower by having his opening statement stricken in advance of his testimony before the Subcommittee;
- The CFPB is experiencing racial disparities in hiring, pay, promotions and performance appraisals; and
- The CFPB has systematically denied legitimate employee grievances.

The Honorable Gene Dodaro  
 Page 2  
 July 18, 2014

We are deeply concerned that an unhealthy organizational culture and questionable personnel management practices are taking root within the CFPB. We are aware that GAO studied organizational culture and personnel management issues at the Securities and Exchange Commission and recommended a number of corrective actions. We request that GAO undertake a similar independent, non-partisan study at the CFPB.

Specific issues to examine include:

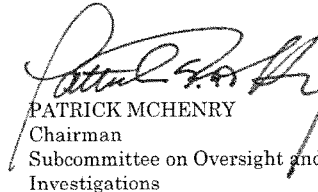
- Discrimination and retaliation against employees by CFPB supervisors and managers;
- CFPB's performance appraisal system, Equal Employment Opportunity complaint process, and union grievance process;
- Employee morale and turnover and the level of trust between employees and management;
- Unlawful or irregular practices regarding workforce planning, hiring, compensation, and promotion;
- Hatch Act compliance; and
- CFPB's efforts to address identified organizational culture and personnel management issues.

We appreciate your attention to this request, and hope that the GAO's study will result in some measure of relief for suffering employees. Please contact Brian Johnson at (202) 225-7502 if you have any questions.

Yours Respectfully,



JEB HENSARLING  
 Chairman  
 Committee on Financial Services



PATRICK MCHENRY  
 Chairman  
 Subcommittee on Oversight and  
 Investigations



SHELLEY MOORE CAPITO  
 Chairman  
 Subcommittee on Financial Institutions  
 and Consumer Credit

cc: The Honorable Maxine Waters  
 The Honorable Gregory Meeks  
 The Honorable Al Green



U.S. GOVERNMENT ACCOUNTABILITY OFFICE

441 G St. N.W.  
Washington, DC 20548

July 30, 2014

The Honorable Jeb Hensarling  
Chairman, Committee on Financial Services  
House of Representatives

Dear Mr. Chairman:

Thank you for your letter of July 18, 2014, jointly signed by Chairmen Patrick McHenry, Subcommittee on Oversight and Investigations and Shelley Moore Capito, Subcommittee on Financial Institutions and Consumer Credit, requesting that the Government Accountability Office review organizational culture and personnel management practices at the Consumer Financial Protection Bureau.

GAO accepts your request as work that is within the scope of its authority. Your request has been assigned to Ms. Orice Williams Brown, Managing Director, Financial Markets and Community Investment and staff are available to begin the work shortly. Ms. Brown or a member of her team will contact Mr. Brian Johnson to discuss the request, your needs, and the engagement objectives, scope, and methodology in accordance with GAO's protocols. As applicable, we will also be in contact with the cognizant Inspector General's office to ensure that we are not duplicating efforts. If an issue arises during this coordination, we will consult with you regarding its resolution.

If you have any questions, please contact Ms. Brown at 202-512-5837 or [williamso@gao.gov](mailto:williamso@gao.gov), or Mr. Paul Thompson, Assistant Director, Congressional Relations, on my staff at 202-512-9867 or [thompsonp@gao.gov](mailto:thompsonp@gao.gov).

Sincerely yours,

Katherine Siggerud  
Managing Director  
Congressional Relations

cc: Mr. Brian Johnson

Ref: CCAR 14-0916

JEB HENSARLING, TX, CHAIRMAN

United States House of Representatives  
 Committee on Financial Services  
 Washington, D.C. 20515

MAXINE WATERS, CA, RANKING MEMBER

July 22, 2014

Honorable Jeb Hensarling  
 Chairman  
 Committee on Financial Services  
 2129 Rayburn H.O.B.  
 Washington, D.C. 20515

Honorable Patrick T. McHenry  
 Chairman  
 Subcommittee on Oversight &  
 Investigations  
 2129 Rayburn H.O.B.  
 Washington, D.C. 20515

Dear Chairman Hensarling and Chairman McHenry:

We were pleased to hear your public commitment to examine any allegations of discrimination and retaliation within the financial services industry, which you made at last month's Oversight and Investigations (OI) Subcommittee hearing. For this reason, we wanted to bring to your attention recent allegations against Goldman Sachs Group Incorporated (GS), which have been outlined in various news reports. We urge you to schedule a hearing soon to examine potential allegations of discrimination and unfair treatment of minorities and women within regulated entities under the Financial Services Committee's (Committee) oversight authority.

As press reports have documented potential pay disparities at the Consumer Financial Protection Bureau (the Bureau), GS employees allege that female vice presidents earned 21 percent less than men. Moreover, they detail the fact that about 23 percent fewer female associates were promoted to managing director compared to their male counterparts. Sadly, these alleged pay disparities and unequal job opportunities at GS are consistent with the data on the overall trends and practices revealed in a Government Accountability Office report (GAO-13-238) issued in April 2013. The report found that management-level representation of minorities and women in the financial services industry has not changed substantially from 2007 to 2011.

Given your previous commitment to eliminating invidious discrimination, we believe it is vital that the OI Subcommittee devote resources with the same due diligence it has done with its review of the Bureau, to examine the personnel operations, policies, and procedures of regulated entities to determine to what extent controls are in place to prevent and detect discrimination.

Honorable Jeb Hensarling  
Honorable Patrick T. McHenry  
Page Two  
July 22, 2014

We look forward to continuing to work with you to ensure that all of the federal financial agencies and regulated entities under the Committee's oversight jurisdiction operate in a fair and equitable manner.

Sincerely,



Honorable Maxine Waters  
Ranking Member, Committee on Financial  
Services



Honorable Al Green  
Ranking Member, Subcommittee on  
Oversight & Investigations

Enclosure